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World Business Newspaper
FRIDAY MAY 3 1996

French PM in drive to cut budget deficit

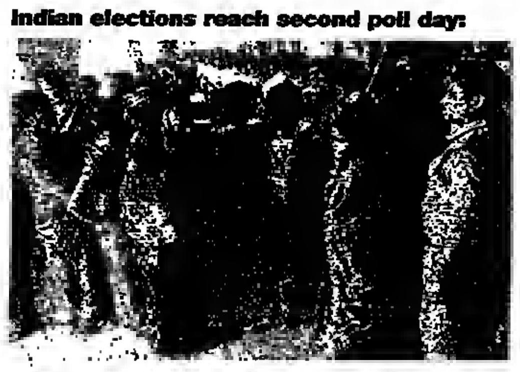
French prime minister Alain Juppé launched a big drive yesterday to reduce spending, trim civil servant numbers and axe government waste as the country seeks to cut its deficit enough to qualify for European Monetary Union. He has asked ministers to work on cutting this year's planned deficit of FFr288bn ($56.14bn) to below FFr250bn next year. Page 14

US entry restrictions: Congress looks unlikely to tighten curbs on the legal rights and numbers of asylum-seekers and refugees trying to enter the US following a narrow Senate vote on part of the immigration bill. Page 7

Fugitive 'would return': Fugitive Cypriot businessman Asil Nadir said he would return to Britain to face charges linked to his collapsed Polly Peck business if the ruling Conservative party lost the next general election. Mr Nadir skipped £3.5m ($5.25m) bail in 1993. Page 9

London police launch new unit: Police in the City of London, the UK's financial centre, have set up a unit to fight money laundering. The unit is already investigating six big cases. Page 9

Indian elections reach second poll day:



More than 130m Indians queued to cast their votes in the second day of the country's phased general elections, due to end on May 30. Opinion polls predict the Hindu nationalist Bharatiya Janata party will emerge as the biggest party, but short of a majority, with prime minister P.V. Narasimha Rao's Congress party in second place and the leftist National Front-Left Front alliance in third. India's poor have high hopes for change. Page 8

Extradition turned down: A South African court turned down a US request for the extradition of British businessman Paul Grecian, wanted on arms dealing charges, saying his alleged offences in the US would not have amounted to crimes if committed in South Africa.

Cuba complains: Cuba claimed the US blockade had cost it more than $40bn and said that proposed US legislations was another attempt to blackmail other countries and deter foreign investors. Page 4

Deal on search for funds: Swiss bankers and Jewish leaders signed an agreement in New York setting up an independent commission to find if unclaimed millions in Swiss banks belong to Holocaust victims. Independent auditors appointed by the commission will be allowed unrestricted access to Swiss bank accounts.

Matsushita enters telecoms: Japan's biggest consumer electronics company is poised to take advantage of deregulatious moves and start a long-distance telephone service. Matsushita aims to connect its own private leased lines to public telecoms networks and provide low-cost telecoms services to the public. Page 14

Sabena staff braced for job cuts: Workers for Belgian airline Sabena, which is 49.5 per cent by Swissair, have been told they face up to 1,700 job cuts or a 15 per cent wage reduction as part of cost-cutting plans. Page 15

Crédit Agricole takes control: French mutual bank Crédit Agricole, is to pay FFr6.3bn ($1.22bn) for 51 per cent of Banque Indosuez, with an option to buy the rest by 2000. The Suez group said the deal, valuing Indosuez at FFr11.85bn, would more than wipe out its current debt. Page 15

Australian wins business prize: Australian Janet Holmes à Court, who owns 10 London theatres and has successfully restructured the empire of her late husband Robert, was named Britain's Businesswoman of the Year. Page 9

British fan jailed: English football fan Matthew Simmons attacked a lawyer in court after he was convicted of provoking Manchester United player Eric Cantona into a kung fu kick at a match last year. Page 9

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,543.79	(-31.43)
NASDAQ Composite	1,191.58	(-8.06)
Europe and Far East		
CAC40	2,136.80	(-9.99)
DAX	2,502.31	(-2.94)
FT-SE 100	3,776.4	(-29.6)
Nikkei	21,662.38	(-152.63)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{5}{16}$%
3-mth Treas Bills: Yld	5.093%
Long Bond	$87\frac{3}{32}$
Yield	7.035%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{1}{16}$%	(same)
UK: 10 yr Gilt	$95\frac{11}{32}$	($96\frac{7}{32}$)
France: 10 yr OAT	105.88	(106.13)
Germany: 10 yr Bund	96.63	(97.33)
Japan: 10 yr JGB	97.065	(97.227)

■ NORTH SEA OIL (Argus)

Brent Dated	$19.42	(19.00)

■ GOLD

New York: Comex		
(Jun)	$395.7	(394.9)
London:		
close	$393.20	(393.55)

■ DOLLAR

New York: lunchtime		
£	1.5025	
DM	1.5315	
FFr	5.1715	
SFr	1.2457	
Y	104.665	
London:		
£	1.4994	(1.4965)
DM	1.5328	(1.5336)
FFr	5.1785	(5.1773)
SFr	1.2488	(1.2485)
Y	104.675	(105.115)

■ STERLING

DM	2.2982	(2.295)
Tokyo $ close:	Y 105.275	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Ptz250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

 No 32,974

Rapid US growth fuels rate rise fears

By Michael Prowse in Washington

A surge in US business investment led to unexpectedly rapid economic growth in the first quarter, intensifying fears yesterday that the Federal Reserve would be forced to increase interest rates.

Spurred by purchases of computers and nther high-technology equipmeot, gross domestic product grew at an annualised rate of 2.8 per cent in real terms. This was nearly twice the rate expected by most Wall Street ecooomists, and sharply higher than the sluggisb 0.5 per cent growth registered at the end of last year.

The Commerce Department figures prompted a sharp fall in bond and equity prices on fears that faster growth migbt put upward pressure on inflation and interest rates. The yield oo the 30-year US Treasury bond rose past 7 per cent for the first time in nine months during early trading, while the Dow Jones Industrial Average fell 42.6 points to 5,532.59 by lunchtime.

The dollar weakened in line with the falls in US bonds. In London, the benchmark 10-year gilt fell by seven-eighths of a point, while the FT-SE 100 index, also affected by the governmeot's statement oo National Power and PowerGen, reversed an early 23-point gain to close 29.6 lower at 3,776.4.

The markets also reacted negatively to reports of an unexpectedly large drop in claims for state unemployment benefits late last month – a sign of robust growth in the second quarter.

This is "clearly a strong economic performance" said Mr Joseph Stiglitz, the chief White House economist. "We believe the economy will continue on its path of sustained expansion."

Mr Mickey Kantor, the commerce secretary, said growth would have been half a percentage point higher but for special factors snch as severe winter weather and a strike at General Motors, the car company.

Growth was led by a surge in business fixed investment which grew at an annualised rate of 12.1 per cent, against 3.1 per cent in the final period of last year. The strongest compooeot was computer purchases which grew at an annualised rate of 43 per cent from the fourth quarter of last year.

Consumer spending also rebounded strongly, growing at an annualised rate of 3.5 per cent in real terms, up from 1.2 per cent at the end of last year. Total dnmestic sales, wbich include capital goods, rose 4.1 per cent against 0.6 per cent.

Many ecooomists also expect foreign trade to exert less of a drag than in the first quarter as growth elsewbere recovers.

"It has got to make the Fed a little more oervous. We are in a period of above-treod growth."

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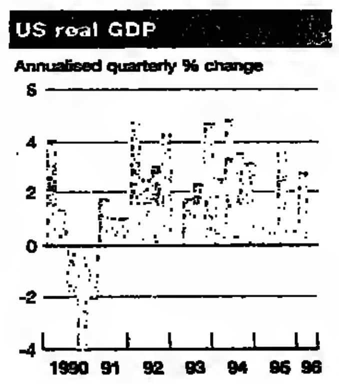
US real GDP
Annualised quarterly % change



Source: Datastream

UK biotechnology group develops milk containing life-saving drugs

Sheep are brought to market for £100m listing

By Daniel Green in London

Ron James with the genetically altered "very well cared for" drug producer PPL is bringing to market

The world'a most valuable flock of sheep is to come to the stock market in a listing that would valne its owner, biotechnology company PPL Therapeutics, at abont £100m ($151m).

The company that created Tracy, a genetically altered sheep wbose milk contained a valuable protein, believes its technology can help sufferers of cystic fibrosis, stroke, beart attacks and cancer.

It has already created a flock of 200 sheep in Scotland whose milk contains various drugs.

The method promises to make possible production of complex proteins that exist naturally in the buman body. The £25m-£30m to be raised in a market listing next month will be used to put these proteins into human clinical trials with a view to launching products from 2001.

Mr Ron James, PPL's managing director, said: "We need to expand the farm and build annther plant. We already have the world's only pharmaceuticals industry standard milking parlour." The parlour includes computers that detect transmitters in each sheep to track their medical and milking history.

"The retail value of the material in a litre of milk is about £500. These animals are very well cared for," Mr James said.

PPL's listing would be the latest in a series of sell-offs that bave come during a period nf sharp share price rises in the biotechnology sector.

The listing would be a boost for the biggest shareholder, Apax, a London venture capital company. It first invested in PPL in 1990 and its 25 per cent stake bas cost a total of £6m.

PPL is unusual in that there were no founding scientists and no directors will become millionaires as a result of the listing.

The techniqne for inserting human genes into animals in such a way that the animal's milk contains a protein determined by the gene was developed at Scotland's Roslin Institute, an independent state-funded research centre.

PPL's main corporate partner is Novo Nordisk, a Danish pharmaceuticals company, which has ploughed £8.6m into the venture and holds a 13 per cent stake.

Novo and PPL are sharing the costs nf developing protein C, intended to treat heart attacks, and fibrinogen, which could help wounds heal after surgery.

The company also has a partnership with American Home Products, on a milk that might be used to treat dietary problems, and three others with drug companies.

But PPL has lost its first corporate partner, Bayer of Germany, whose promise in 1992 to pay up to £10m for Tracy's genes, launched PPL on the road to a stock market listing.

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BT and C&W call off £34bn merger talks

By Alan Cane in London

British Telecommunications and Cable and Wireless, the UK's two largest telecoms companies, called off merger talks unexpectedly late yesterday afternoon.

The talks which could have resulted in the world's third largest telecoms operator valued at some £34bn ($51bn), foundered on price and a mismatch between risks and opportunities.

The deal faced a formidable barrage of obstacles of a regulatory, political and business nature and analysts had never given the talks much more than an even chance of success. There was, nevertheless, a sense of disappointment at both companies that an opportunity to forge the world's first global telecoms carrier had been abandoned.

C&W said yesterday: "While the concept of a merged global business had commercial and industrial merit, there was no prospect of solving the numerous problems the merger presented for the company in a reasonable timescale."

BT said: "The strategic opportunity was one that merited thorough evaluation. But our conclusion was that the risks, at this stage, outweighed the prospective opportunities."

The two companies have been talking sporadically to little effect for several months now, but yesterday's decision essentially signals an eod to negotiations. Under the terms of a confidentiality agreement governing the negotiations, neither BT oor C&W may, except in the event of a third party offer, acquire shares in the other without consent for 18 months.

Mr Rod Olsen, C&W acting chief executive, said the failure of the talks would affect the company's plans for stability, growth and development. He said a permanent chief executive, who is believed to be a respected north American telecoms executive, would be appointed shortly to replace Mr James Ross who left the company at the end of last year. The appointment has been in abeyance awaiting the outcome of the talks.

Analysts, pointing ont that BT's chief aim in merging with C&W, was to strengthen its presence in the Asia-Pacific region where C&W has a majority stake in the lucrative Hongkong Telecom, expect it to continue discussions with other prospective partners and allies in the region including KDD of Japan, Telstra of Australia, Korea Telecom and Hongkong Telecom itself. BT has always acknowledged its preferred partner in the region was NTT, the principal Japanese carrier, and that prospective regulatory changes in Japan opened

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German finance ministry set to issue short-term bonds

By Wolfgang Münchau in Frankfurt

The German finance ministry indicated yesterday that it expects to issue short-term government bonds in the near future.

The introduction of government bonds with a maturity of less than one year would mark a significant developmeot for Germany's capital markets, and follows the Bundesbank's receot decision to relax its previously strong opposition. The German central bank, however, is known to be sceptical about the consequences of short-term instruments for monetary policy.

The finance ministry said yesterday that "working level" talks with the Bundesbank were under way, adding that a final decision might be reached soon.

Lobbyists have long viewed the absence of a short-term bood market as a handicap for Frankfurt, fearing that it could lose out against other European financial centres after the scheduled start of European monetary union in 1999, unless a short-term bood market was allowed to develop.

This argument appears to have been accepted reluctantly by the Bundesbank. Mr Johann Wilhelm Gaddum, vice-president of the Bundesbank, said last month: "The critical attitude of the Bundesbank towards short-term financing of long-term credit demand is well established. Our reservations, based on monetary policy considerations, remain in place. But we see, of course, that the transitioo from the D-Mark towards the euro creates a new situation ... We will have to make a judgment as to bow to adjust to this development."

As a compromise he suggested the creation of a short-term market that was large enough to operate efficieotly, yet not too large as to destabilise monetary policy.

It is believed that the Bundesbank will try to persuade the German government to use short-term instrumeots only in moderation. For the 1996 bodget the government has already earmarked a provisional DM50bn ($32.8bn) to be financed through short-term paper, if and when it becomes available.

German economists have estimated that a gross financing level of DM50bn a year would translate into a net market volume of about DM20bn.

It is widely thought that the paper, which does not yet have an official name, will not be a quoted instrument, and will be marketed only in large denominations to the institutional investor market.

Mr Thomas Mayer, chief economist at Goldman Sachs in Frankfurt, said: "It is evident that the idea of short-term instruments is gaining momentum. We have recently seen some trial balloons from the Bundesbank after the finance ministry has been pushing this for some time. It looks as if the U-turn is being made."

He said the government also hoped to beoefit from low short-term interest rates and the steep yield curve.

CONTENTS

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Government faces contest with Länder on regulatory control of the sector

Bonn stakes its claim over multimedia

By Frederick Studemann in Berlin

The German government yesterday moved to ensure that it and not the *Länder* (federal states) will regulate the multimedia sector.

Mr Jürgen Rüttgers, the federal technology minister, unveiled proposals for a national law providing for *information* and communication services linked by telephone, computer or television screen to be treated as ordinary commercial activities and not subject to any limitations on freedom to trade. Access to the market *should* require the same licence as any other business.

The proposals are the latest twist in a battle between Bonn and the *Länder* over regulation of the sector, and are likely to be keenly contested in parliament.

"Our starting point is the freedom to enter the market of new services and, with that, the freedom to trade," Mr Rüttgers said. Any other position would create superfluous bureaucracy.

The *Länder*, which are working on a draft state treaty, see multimedia as broadly an extension of broadcasting, which they regulate.

Mr Bernd Schiphorst, chief executive of the online service company Bertelsmann-AOL, welcomed the government move. "We doubt the competence of the *Länder*," he said.

"Broadcasting is very strongly regulated and we want to avoid that with online services." The market should be open to anyone.

The *Länder* specify how many broadcasters can operate in their area and limit concentrations of ownership. Applicants for licences have to satisfy quality standards and vetting committees include political and church representatives.

The public sector broadcasting companies are in favour of *Länder* control, believing this will give them the chance to expand into the multimedia sector. "Our commercial competitors do not want us to go into multimedia and are therefore opposed to *Länder* responsibility," said Mr Peter Voss, director of Süd West Funk, a public sector network.

Commercial operators in the multimedia sector fear that the tussle between the federal government and the *Länder* over who will regulate the sector could lead to confusion in the market.

Next month the Bonn government will *publish* its draft law, for which Mr Rüttgers' proposals are intended as a framework discussion document. The *Länder* are due to unveil their proposals in the summer.

Mr Rüttgers said Bonn wanted to see consumer interests and privacy protected in the multimedia sector, as well as legal measures against obscenity and incitement to racial hatred. He said responsibility for possibly offensive *material* on the Internet would lie with the creators and distributors of the material and not with the service providers.

Over the past year online service companies in Germany have been investigated by police on allegations of assisting in distribution of child pornography and racist material, which users accessed through *Internet gateways* provided by the companies.

Germany set to change law on takeovers

By Frederick Studemann

The German government yesterday proposed changes in the country's competition law to bring national legislation into closer harmony with that of the European Union.

Among specific changes proposed by Mr Günther Rexrodt, the economics minister, is one to double the threshold for referring takeovers to the cartel office from *DM500m* to *DM1bn ($600m) of total* turnover of the companies involved.

It is also proposed to scrap exceptions from takeover controls in transport, banking, insurance and agriculture. The energy sector is not covered by the draft proposal as the competition regulation of that industry will be dealt with by a separate law.

The economics minister would retain the power to overturn cartel office rulings – as was done in the Daimler Benz takeover of the MBB defence company – but such actions are unusual.

Retail price maintenance rules would remain for the sale of books. Mr Rexrodt said this was necessary for reasons of educational and cultural policy.

The proposals were cautiously welcomed by German industry, which has lobbied heavily for changes in competition law. But the BDI industry federation said they did not resolved the differences between German and European law over the exact definition of takeovers and market dominance.

"These are two key areas which need to be sorted out before one can talk about harmonisation," said Mr Lothar Dressel, the BDI's competition law expert. European law on takeovers focused on how much one company would control, he said, while *German competition authorities* took a more w... ...nging assessment.

"The result is that in Germany the authorities become involved at a much earlier stage," said Mr Dressel. The BDI, whose members have *direct* experience of working with both definitions, believe the European one to be "more clear and more correct", he said.

On the issue of market dominance, the BDI believes that the German authorities take too narrow a definition for assessment, looking chiefly at the level of market share held by a *company*.

EU law also takes into account the overall state of a particular market when making an assessment.

The draft proposal now enters the *consultation stage before being* presented to parliament.

Mr Rexrodt said he expected the law to be passed before the end of the current parliament, which ends in 1998.

Looming election speeds the start of Albania's first stock exchange

Bourse recruits experienced street dealers

By Marianne Sullivan in Tirana and Kevin Done in London

Mr Arben Vaqarri, a 33-year-old former factory worker turned street trader, began a new career yesterday as one of Albania's first 10 licensed stock market dealers, as the Tirana bourse officially opened for business.

Isolated for decades from the rest of Europe by one of the world's most repressive Stalinist regimes led by Mr Enver Hoxha, Albania is finally acquiring the institutions of western capitalism, however rudimentary.

Housed in the grand hall of the central bank, built in the 1930s Italian-style of King Zog, it is the first stock exchange in the country's history.

It has been rushed into operation less than five weeks before the general election, as the Democratic party government of President Sali Berisha seeks to convince a sceptical electorate that its programme of free market reforms is taking hold.

Trading, under the control of the Bank of Albania, is initially limited to treasury bills and privatisation vouchers.

The market's regulatory commission is currently registering companies to be listed on the market and equity trading could start before the end of the month, according to Ms Albina Karamitro, 33, the exchange's first chief executive.

Foreign exchange trading could begin later in the year.

With no experience of operating a capital market, the central bank has looked outside its doors to the foreign currency traders that throng Tirana's dusty main square to find the budding dealers and brokers to man the market.

Mr Vaqarri, who started *currency dealing* on the street in 1991 with a $400 loan from his brother working in Italy, is one of three street traders licensed to move into the stock market.

Selling currencies and vouchers on the street is a good living, he says. He can earn up to $1,000 a month compared with average public sector salaries of between $80 and $100 a month. He believes the stock market will offer him more security, however, and free him from the worries of theft and counterfeit money.

Street dealers – a wad of *notes in* one hand and a calculator in the other – have dominated the foreign currency trade since the former communist regime collapsed in 1991.

They have also had a virtual monopoly on buying and selling the privatisation vouchers the government began to distribute last year. The voucher market has been weak, however, and fewer than 20 per cent of the 1m Albanians awarded them invested in newly privatised companies.

The street traders say most voucher holders prefer to sell the vouchers for quick cash, even though the current price is only 12 per cent of the nominal value of the vouchers.

Inevitably some of the street dealers who have not been licensed for the stock market are fearful for their futures and believe that the government will begin to crack down on their activities.

"Most of these people were unemployed and this is the only way they can make their living," says Mr Aleks Laco, a 41-year-old former ditch digger, who is now trading vouchers and currencies.

Mr Vaqarri is much more optimistic and plans to continue trading on the street in addition to the two days he will spend at the stock market. "The future will be in the stock market. But for now there is no way to stop this street trade where people come from all over Albania to buy and sell. It will only be stopped when there is a private bank in every city and village."

Ms Karamitro, standing yesterday in front of the three tables and telephones which for the moment comprise the stock market, acknowledges that this is only the beginning.

Bank loan to patch Russian welfare net

By Chrystia Freeland in Moscow

The World Bank this week approved a $200m loan to help mend Russia's crumbling social welfare net.

Social services, such as healthcare and education, have been one of the biggest casualties in Russia's traumatic transition to a market economy.

The World Bank's community social infrastructure project will be targeted on two areas: the Siberian city of Novosibirsk, which has been hard hit by the decline in defence-related industries; and Rostov, an agricultural city in the south, which voted heavily for Communists in last December's parliamentary election.

The programme will try to stem the decline in healthcare, education, water supply and sanitation in these regions.

Under the Soviet regime, many of these services were provided directly by factories, which routinely supplied healthcare for their workers and often ran and financed schools.

But the shift to a market economy has compelled factory managers, trying to make their companies more profitable, to transfer responsibility for social welfare to municipal and regional governments.

However, poor collection of tax revenues and declining contributions from the federal budget have made it impossible for many regions to provide the old levels of *social support*. Russia's nascent bourgeoisie has flocked to costly private medical clinics and schools, which provide excellent care and education, but most people have been forced to make do with the crumbling, state-run system.

Among the most startling outward indicators of the decline have been a resurgence of cholera and other virulent *infections*, and a sharp fall in life expectancy.

The World Bank project aims to repair and build schools, and to equip selected hospitals with emergency rooms, intensive care units, operating theatres, central laboratories and central x-ray facilities. The programme will also finance *repairs to water mains, chlorination* plants and sewerage networks.

Troops cross a new bridge, built by an Ifor unit over the Sava river, that restores a route between the Belgrade-Zagreb motorway and central Bosnia *Reuter*

Displaced Bosnians test their ability to go home

By Bruce Clark in Brussels

A spate of attempts by displaced Bosnians to cross the former confrontation lines are only the beginning of a much bigger challenge for western policy-makers, according to senior diplomats in Brussels.

About 30 times in the past few weeks, groups of displaced people – mostly Moslems who were driven out of their homes by the Bosnian Serbs – have tried crossing the lines in order to assert the principle of freedom of movement.

On two occasions this week such expeditions ended in bloodshed: once in Doboj in northern Bosnia, where three people died from gunshots or *mine injuries, and* the other in Trnovo, south of Sarajevo. At least 12 groups of refugees managed to cross the lines successfully, while several other efforts were *called off after* proving impracticable.

The question of how to respond to these line-crossing expeditions has become the biggest *single* headache for commanders of Nato's 60,000-strong peace implementation force, known as Ifor. If Ifor troops try to prevent people crossing the line, they are vulnerable to the charge of consolidating *ethnic partition; but if* they try to help the refugees "fight their way through" they risk being caught in the middle of bitter and escalating inter-communal clashes.

Mr Carl Bildt, head of the civilian part of the peace process, has warned local Serb leaders they are breaking the law if they shoot at refugees.

But as diplomats involved in the peace process noted yesterday, *the few hundred* people who have so far tried to visit graves or celebrate the Bayram holiday in Serb-held land are only the beginning of the problem.

So far, trips by displaced persons have been brief sorties aimed at testing the lines' permeability. A procedure exists *for handling them: the United* Nations High Commissioner for Refugees (UNHCR) liaises between local authorities on both sides of the line and advises *Ifor and* the *UN police* on the feasibility of the expedition.

A much bigger challenge will arise if people try to reclaim their old homes, whether to reoccupy them or claim compensation.

The UNHCR has estimated the number of Bosnians living outside their country who might try to return at around 900,000 – and even greater numbers have been displaced within Bosnia.

A huge problem could arise for Ifor and the host of civilian organisations working in Bosnia if even 10 per cent of those entitled to claim the right of return actually do so.

The need for maximum flexibility in handling the refugee problem is one of the main reasons Nato has decided to *remain at full strength at least* until September, when elections are due to be held to a complex series of new inter-ethnic institutions.

But, *on current indications*, the risk of violent clashes between refugees and the new occupants *of* their old homes is unlikely to have been solved by *the end of the year. That* is when Ifor is supposed to pack up and leave.

EUROPEAN NEWS DIGEST

Yeltsin confirms Chechen visit

Russian President Boris Yeltsin yesterday reaffirmed his plan to travel to the war-torn Chechen republic later this month. Although the trip could be a high-profile boost to Mr Yeltsin's campaign for re-election, some observers have warned it could also become a political disaster if the president or his entourage were to be attacked by separatist forces.

But in an interview with a regional Russian television station, Mr Yeltsin said yesterday that he was firm in his intention to visit Chechnya. "Firstly, I have to thank the servicemen who have done a big job there, secondly to meet the elders and thirdly to give a boost to talks," Mr Yeltsin said.

The Russian leader said he was ready to meet directly with separatists but insisted that Moscow would not budge from its determination to keep Chechnya within the Russian Federation. *Chrystia Freeland, Moscow*

Bavarian tax case conviction

A Bavarian court convicted the son of a prominent German tax exile yesterday for evading about DM63m ($41.4m) in tax in *one of Germany's most spectacular post-war tax scams.*

Johannes Zwick, 40, was given a suspended sentence of 22 months in jail and ordered to donate DM1.63m to charity for making a false tax declaration on behalf of his father Eduard, a tax exile living in Switzerland.

The court heard that Bavarian officials helped Johannes Zwick and his entrepreneur father, known as the "Spa King" for a chain of health resorts he owns, to avoid paying tax.

The judge said Johannes Zwick had *submitted* a false tax declaration on behalf of his father, reducing a DM70m tax debt to just DM8.3m in 1990. Eduard Zwick admitted in an interview last year that he had managed to avoid the tax and that the late state premier, Franz Josef Strauss, who was a *close friend, had helped him.* *Reuter, Landshut*

Belgian government survives vote

The Belgian centre-left government of prime minister Jean-Luc Dehaene survived a *no-confidence* vote in parliament yesterday over plans for an employment pact with unions and business.

The governing coalition of Socialist and Christian Democrat parties won by 88 votes to 66.

Mr Dehaene's government has come under fire over the plan to cut unemployment by half by 2002. The plan was rejected by the Socialist-led trade union as in favour of employers. Socialist ministers were jeered and pelted with eggs by trade unionists during May Day rallies. Mr Dehaene has vowed to press ahead with the plan, which focuses on limiting salary increases to keep them in line with Belgium's main trading partners. *AP, Brussels*

Parthenon faces long repairs

Part of the northern face of the Parthenon in Athens will be covered by scaffolding for the next 10-15 years after a chunk of marble *fell off* the 2,500-year-old monument.

The Greek culture ministry's central archaeological council yesterday announced the measure in the hope of preventing other pieces coming loose.

The chunk that became dislodged was attached to the temple during a previous restoration and the bonding material had deteriorated.

More than 4m tourists each year visit the Parthenon temple on the Acropolis in central Athens. It was completed in 438 BC and is dedicated to the goddess Athena. *AP, Athens*

Move on Austrian bank secrecy

A member of the Austrian government yesterday gave the first hint it might be willing to compromise on the issue of anonymous savings accounts, which the European Commission seeks to abolish.

Mr Karl Schlögl, the state secretary for European affairs, was quoted as saying the government might demand proof of identity from bank customers who wanted to open a new account. Existing accounts would be allowed to remain anonymous and parliament would tighten bank-secrecy laws, he added.

Mr Schlögl was talking after a meeting with Mr Mario Monti, EU single market commissioner. His proposals go only half way to meeting the EU's objections that anonymous banking violates EU directives on money laundering.

Other cabinet members immediately distanced themselves from Mr Schlögl's initiative. Mr Johannes Ditz, the economics minister, said the comments contradicted the government's official stance and a finance ministry spokesman said he was surprised by the proposal. *Eric Frey, Vienna*

German industrial output rises

German industrial production in March rose 2.1 per cent compared with February, a higher rise than expected by many analysts.

They warned, however, that while the coming months were expected to show stronger output figures, the March figures alone gave no *indication of any rebound in the economy.*

The more reliable two-month figures, which compare March/February with January/December and iron out sudden seasonal changes, showed that industrial production had fallen by 1.5 per cent.

Analysts cautioned that the March figures, which are preliminary, may be revised downwards, especially because of sharp movements in the construction industry.

Compared with the same two-month period a year earlier, industrial production fell 3.6 per cent. Analysts pointed out that the March rise was mainly due to the construction industry where output rose 12.6 per cent, following an 11.6 per cent fall in February. *Michael Lindemann, Bonn*

■ German import prices rose 0.3 per cent in March from February, while export prices rose 0.2 per cent. Import prices rose 0.4 per cent year-on-year and export prices climbed 0.6 per cent from March 1995. The rise in the import price index in year-on-year terms results partly from the fact that much of the D-Mark's early-1995 appreciation has dropped out of the statistical base.

■ New car registrations in France rose a seasonally adjusted 2.9 per cent in April from a year earlier to 183,600 units.

■ The trade surplus of the Belgium-Luxembourg economic union totalled BFr416bn ($13.3bn) in 1995, *up from* BFr337bn in 1994.

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PDS weighs heavily in Prodi's attempts to find balance

Robert Graham looks at some prominent contenders for posts in Italy's new cabinet

To judge by the Italian media the composition of the next government has been all but decided. But the utter certainty with which lists of potential minister are published – and then revised the day after – *underlines the delicate task for* the centre-left Olive Tree coalition in balancing portfolios.

Formally, the job of choosing a cabinet falls to Mr Romano Prodi, the Olive Tree's leader, and his second in command, Mr Walter Veltroni, who will be respectively *prime minister* and deputy premier. However, an important power of veto is being exercised by Mr Massimo D'Alema, head of the Party of the Democratic Left (PDS), the alliance's dominant partner.

The first problem is what to do with Mr Lamberto Dini, the out-going premier, whose presence in the alliance contributed to its election victory. Mr Dini wants the job of speaker of the Chamber of Deputies rather than a ministerial post, but Mr D'Alema believes this would give him too much freedom to pursue his ambition of creating a new centrist bloc. *The PDS also wants to* reward Mr Luciano Violante, a key party figure in the fight *against the Mafia, and deputy* speaker in the previous legislature.

The preferred post for Mr Dini is at the foreign ministry; a *second* though less likely option being the treasury which he has held since 1994.

Until his role is settled, other important pieces cannot easily fall into place. For instance, Mr Violante would probably have to be found a portfolio if he cannot be speaker; and if Mr Dini goes to the foreign ministry, another important position *must be found for Mr Giorgio* Napolitano, a distinguished member of the PDS and, before that, *of the old Communist* party (PCI).

Mr D'Alema has also made his presence felt by casting doubt on Mr Prodi's efforts to *recruit Mr Antonio Di Pietro*, the former Milan investigative magistrate, who has been contemplating entering politics but took no part in the general election. He opposes recruiting Mr Di Pietro despite his public popularity.

The stop on the *former* magistrate has raised the question of how many non-MPs, if any, should be included in the cabinet.

Mr Prodi wants Mr Carlo Azeglio Ciampi, *former* premier and central bank governor, in the key treasury job to boost international confidence in economic policy – especially privatisation. Other possibilities are Mr Giovanni Maria Flick, a widely respected judicial expert, Prof Luigi Sopaventa, budget minister in the 1993 Ciampi government, and Prof Sabino Cassese, an expert on the public administration, who initiated reform of the civil service in 1993.

However, most of the ministries will be distributed among the seven parties which are fully part of the Olive Tree. The PDS is likely to see *its* chief economic spokesman, Mr Vincenzo Visco, in one of the three economics portfolios; and Mr D'Alema will press for a reward for his close adviser, Mr Claudio Burlando, the former mayor of Genoa. At least two outgoing ministers – Mr Tiziano Treu (labour) and Mr Augusto Fantozzi (finance) who are members of Mr Dini's Italian Renewal party – could continue in their jobs or be given new ones.

President Oscar Luigi Scalfaro is understood to prefer that the sensitive interior or defence portfolios should not be given to a *former* Communist or PDS member. This makes it likely Mr Antonio Maccanico, the veteran state servant, will be given the interior job.

One of the more interesting appointments could be the recruitment of Mr *Massimo* Cacciari, the philosopher mayor of Venice. Mr Cacciari was a dissident member of the PCI and has since become an independent leftwinger, close to the PDS but critical of Mr D'Alema.

He has latterly become the unofficial spokesman for the economically dynamic Veneto, *Italy's* most pro-secession region.

He could be given the job of regional affairs with *a brief* to head off the populist Northern League's secessionist revolt in the north-east.

NEWS: EUROPE

Simitis starts first tour of Thrace today

By Kerin Hope in Athens

Mr Costas Simitis, the Greek prime minister, today begins his first tour of Thrace, one of the European Union's least developed regions and home of a sizeable Moslem minority that claims it is discriminated against by Greek authorities.

He is the first Greek premier in 10 years to make more than a brief election visit to this fertile tobacco- and cotton-growing area where Greece borders Bulgaria and Turkey. The national frontiers are not in dispute, but the presence of about 120,000 ethnic Turks, gypsies and Pomaks, whose ethnic origins are hotly debated, contributes to tension between Greece and Turkey.

Thrace is poised to become an important link between western Europe and the Black Sea. Aided by EU grants, work is speeding up on the $3.5bn Egnatia Highway, to run from the Adriatic to Istanbul. A $600m project to build an oil pipeline from the Bulgarian port of Varna to Alexandroupolis on the Aegean is making progress.

Only recently have Greek companies started to exploit government and EU subsidies that cover 60 per cent of the cost of building a factory in Thrace.

"Applications for grants have taken off in the past 18 months. It's not just the opening up of Bulgaria and southern Russia that attracts investors; it's the prospect of exporting to a market of 10m people in Istanbul, the same as the whole of Greece," an investment consultant says.

Mr Simitis wants to send a message to Ankara that the Greek decision to veto Turkey's customs union with the EU, intended to put pressure on Ankara to accept international mediation in the two countries' dispute over the Aegean, does not rule out better medium-term ties. Addressing the problems of the Moslem minority is one way of indicating Greece is serious about wanting to improve ties with Turkey, says a Greek official.

Mr Simitis will also be canvassing support from Socialist party (Pasok) members in Thrace, including the minorities, for his attempt to take over the party leadership from Mr Andreas Papandreou, whom he succeeded as prime minister in January. Provincial delegates' votes are likely to decide an election contest between Mr Simitis and Mr Akis Tsochatzopoulos, public administration minister, at Pasok's congress in July.

The 80,000 ethnic Turks complain they face discrimination on jobs, education and property. But conditions for the 30,000 Pomaks who live near the Bulgarian border have improved. New roads and two new border crossings with Bulgaria will end their isolation.

US fund managers furious at Polish sacking

Christopher Bobinski in Warsaw and **Anthony Robinson** in London report on a serious conflict in the making with foreign investors

The Polish government is faciog a potentially damaging conflict with foreign investors following the dismissal of two US fund managers from one of 15 National Investment Funds.

The NIFs were set up last July when nearly 500 Polish companies were privatised as part of the country's Mass Privatisation Programme (MPP). Foreign fund managers were invited to join fund management companies and share thair expertise with Pollsh partners.

But Wasserstein Perella and New Englaod Investment, which teamed up with KNK Finance and Investment, a Polish consulting firm, have been dismissed as managers of Fund Number 11 by their Polish partners.

The fund management company in which they had a 50 per cent stake and management control was dismissed and the fund taken over by Mr Ireneusz Nawrocki, one of their former partners, and the chairman of KN Wassersteio, the management company set up in July 1995 by the two US companies and their Polish partners to manage the 33 companies allotted to the fund by the privatisation programme.

Management control was vested in Perella. "This was our main condition for agreeing to work with our Polisb partners and was sccepted by them," Mr Paul Pittman, a director of Wasserstein Perella and investment manager of the Polish fund, said in London.

He described his Polish partners' action as "expropriation of a business we set up and organised". The company "has been taken away from us improperly and handed over to the supervisory board and Mr Nawrocki", he added.

What has most enraged the two US companies is that the letter from the fund'a supervisory board dismissing them accused them of negligence, and made this the main ground for unilateral termination of their fund management agreement. "We were not negligent in any way. They have fabricated reasons for the termination of a 10-year contract with a mere piece of paper," said Mr Pittman.

By charging the US firms with negligence the Polish partner is believed to have sought to avoid payment of around $1.5m in compensation. The US companies now intend to argue their case through the international courts.

Mr Nawrocki argues that the focus of the mass privatisation programme "has changed from doing deals and conventional fund management to restructuring companies. This requires different skills and a longer time span," he said. "Most of the foreign companies involved in the funds are skilled at doing deals but take a short-term view."

Foreign companies involved in Polish fund management consortia

New England Investment Cos (US)	KP International (US)
Wasserstein Perella Emerging Markets (US)	Paine Webber (UK)
BZW (UK)	Banque Arjil (France)
GiroCredit (Austria)	Banque Nationale de Paris (France)
UNP International Holding (Canada/UK)	Yamaichi (Japan)
Murray Johnstone (UK)	Regent Pacific (Hong Kong)
Raiffeisen Zentralbank (Austria)	Central Europe Trust (UK)
W.S.Atkins (UK)	Charterhouse Development Capital (UK)
Kleinwort Benson (UK)	Crédit Commercial de France (France)
Chase Manhattan (US)	Creditanstalt-Bankverein (Austria)
GICC Capital Corporation (US)	
Lazard Frères et Cie (France)	SCG St Gallen (Switzerland)

'They [Poles] have fabricated reasons for the termination of a 10-year contract with a piece of paper'

Mr Nawrocki's views are particularly unsettling to foreign fund managers because Mr Nawrocki is an old friend and confidant of Mr Wieslaw Kaczmarek, the privatisation minister. Last year, the minister appointed Mr Nawrocki to head the supervisory board of the copper company Polska Miedz, the country'a most profitable company and due to be partially privatised later this year. The row over Fund 11 is the latest in a number of disputes involving foreign fund managers.

Last summer, one of the government-appointed supervisory boards, equivalent to the board of directors, decided to run Fund 9 without the help of a foreign management company. This followed disagreements within the potential management team which included ING, the Dutch banking group, and Warta, a Polish insurance company.

Investment bankers in London involved in the mmp said yesterday the position of several other foreign fund managers was under threat as their Polish partners had realised the potentially lncrative nature of the fund management contracts and were seeking ways of elbowing their foreign partners aside.

"Under the MPP management rules fund managers receive 1 per cent of the shares in the fund per year for the first nine years of the 10-year contract and 6 per cent in the final year.

They also receive annual management fees of between $3m-$4m a year to cover operating expenses," one investment banker said. "Meanwhile their presence as "insiders" in Polish financial markets gives the foreign fund managers a uniqne opportunity to position themselves for future sales of pensions, foreign funds and other financial prodocts as Polish incomes rise and the sophistication of Polish investors increases," he added.

The current row over Fund 11 has wider political implications. The privatisation programme was the brainchild of the first Solidarity government in 1990 but only implemented last July.

Foreign fund managers now question whether the government headed by former Communists is as committed to the principle of expert foreign management for the funds as the former Solidarity government, for whom it was a key element.

The funds are also under attack from the Solidarity trade union, backed by Poland's rightwing nationalist opposition.

They want the MPP to be programme amended to incorporate elements of Czech-style coupon privatisation.

The Solidarity unioo is organising 15 committees, one for each fund, to co-ordinate actioo by trade unionists.

The unions threaten to resist any closures proposed by fund managers as part of their strategy to reorganise and add value to their portfolios.

Romania set to re-license banks

By Virginia Marsh in Bucharest

Romania will soon re-license several banks as market-makers in its inter-bank foreign exchange market now that the country's Forex crisis haa abated, Mr Mngur Isarescu, central bank governor, said yesterday.

"It is clear we would like more banks and we intend to inclnde at least one foreign bank. This is necessary for the credibility of the market. We will do this very soon," he said in an interview.

In March, the central bank withdrew Forex dealing licences from all but four banks and restricted others to trading in the market only on behalf of clients and within strict limits.

The move was prompted by alleged irregularities at several banks, rapid depreciation of the leu and segmentation of the Forex market. Private banks and licensed exchange hureaux had consistently qnoted weaker rates for the leu than the country's big four commercial banks.

Mr Isarescu said turnover in the market, which fell sharply after the March measures, had begun to recover and was averaging $18m a day. However, private bankers say there is still little activity.

He insisted no attempt would be made to "fix" the exchange rate; stricter banking supervision and Romania's improved financial situation would enable the market to function correctly.

The country has recently returned to international capital markets after an absence of over 10 years and is expected to launch its first international hond next week. It hopes to raise $380m in a Samurai issue and plans its first eurobond in the summer.

In recent years, Romania has faced severe balance of payments problems and has had to depend on international financial institutions for external financing. Central bank reserves recently fell to $200m-$300m. Forex market problems caused the International Monetary Fund to withhold expected funding.

Analysts say urgent ateps are needed to boost confidence in the financial sector, and that state banks have not made enough provision for non-performing debts.

NEWS: WORLD TRADE

Saudis start talks on joining the WTO

By Frances Williams in Geneva

Saudi Arabia yesterday began negotiations with trading partners on its bid to join the World Trade Organisation. The talks are expected to last well into 1997 or beyond – though Saudi officials yesterday said they hoped for entry next year.

The oil-rich kingdom, which ranks as the world's 26th largest exporter, is seeking WTO membership mainly as a way to expand markets for its manufacturing exports, notably petrochemicals.

"It is a question of marketing our petrochemicals, which face a lot of trade restrictions in various European countries as well as in the US," said a Saudi diplomat.

Saudi Arabia applied to join Gatt, the WTO's predecessor, in July 1993 but these negotiations had made little progress by the time the WTO was created in January last year. Yesterday was the first meeting of the WTO's working party on Saudi membership.

Saudi Arabia hopes to join the WTO as a developing country, which will give it more leeway in applying some of the organisation's fair trade rules. But trading partners yesterday raisad various concerns, including access for farm goods, non-tariff barriers to imports and export subsidies.

The US, which has put Saudi Arabia on its "watch list" for violations of intellectual property rights, is expected to press Riyadh to adopt tough legislation to enforce copyrights, patents and trademarks.

Of the six members of the Gulf Co-operation Council, Kuwait, Qatar, Bahrain and the United Arab Emirates are already WTO members. Oman has not yet applied. Membership negotiations for the UAE, the latest to join, took nearly two years.

● Representatives of the World Travel and Tourism Council yesterday met Mr Renato Ruggiero, WTO director general, to reiterate the council's support for liberalisation of tourism services and stress the potential for creating jobs.

Cuba says US blockade cost it $40bn

By Roger Matthews in Johannesburg

Cuba yesterday hit out angrily at the US, claiming that its blockade had cost it more than $40bn.

Speaking at the United Nations Conference on Trade and Development (Unctad), Mr Ricardo Ruiz, the minister of trade, said proposed US legislation was a further attempt to blackmail other countries and deter foreign investors.

"Over the years, the US blockade, as expressed by laws, acts of force and intimidation has cost the Cuban economy more than $40bn," he said. "This is far in excess of any damage done to the US economy through Cuban expropriation of US property. And the US has ruled out any bilateral negotiations on the issue of possible compensation for expropriations," said Mr Ruiz.

The minister added that new US legislation, which proposed imposing panalties against companies or countries doing business with Cuba "was an attempt, to intimidate foreign countries and private institutions". He said Cuba welcomed and appreciated the expressions of condemnation made against the US move by "various governments, parliaments and business organisations".

South Africa has particular sympathy for the Cuban plight, and President Nelson Mandela has several times expressed his gratitude to President Fidel Castro for his support during the struggle against apartheid.

Trade delegations from South Africa have recently visited Havana, and Cuban doctors have been recruited to assist in healthcare programmes, particularly in rural areas.

Among those expressing opposition to the US move was the British delegation, headed by Mr Anthony Nelson, the trade minister. He said earlier this week that the issue would be raised with the World Trade Organisation.

● A two-month dispute between Cuba and a trading company from Russia over a sugar-for-oil contract is still unresolved and is threatening further delays in implementing a strategic government-to-government trade deal, writes Pascal Fletcher in Havana.

Cubazucar, the Cuban state sugar marketing company, has rejected allegations made by the Russian company, Alfa-Eko, of delays in Cuban sugar shipments. It said Alfa-Eko was seeking to renege on their original agreement. "We signed a contract. What we want is a solution based on what was signed," a Cubazucar spokesman said.

Lawyers from both sides are discussing the dispute, which has disrupted part of a sugar-for-oil deal agreed by the governments of Cuba and Russia for 1995/96.

Alfa-Eko was responsible for implementing half of this deal, which foresees overall the exchange of 3m tonnes of Russian oil for 1m tonnes of Cuban raw sugar.

Cubazucar said that on March 5 Alfa-Eko announced it would not ship any more oil unless Cuba met its demands.

China is finding little favour in US

Nancy Dunne assesses the mood as Beijing's trading status comes up for renewal

It is that time of year again in Washington, when the administration and Congress address the vexed question of whether China should continue to be treeted as favourably as most of America's trading partners.

The matter will have to be resolved by June 4, when President Bill Clinton will announce whether to renew what the world's trade fraternity calls Most Favoured Nation status. The odds are that he will do it.

But the decision this year is, like ao many other policy issues, made more complicated because it is an election year. And relations with China stir ballot-sensitive political emotions like few other foreign policy issues.

So members of different departments of Mr Clinton's administration have been putting their heads together to come up with a strategy that addresses tts latest conflicts with China over intellectual property and alleged nuclear proliferation – which at the same time remembers the voters. "We need to get our ducks in a row before the MFN thing gets done," said one administration official.

When this week Washington put China at the top of its list of countries failing to protect intellectual property, it was a warning of trouble to come. The move could mean the imposition of up to $2bn in punitive tariffs on Chinese imports.

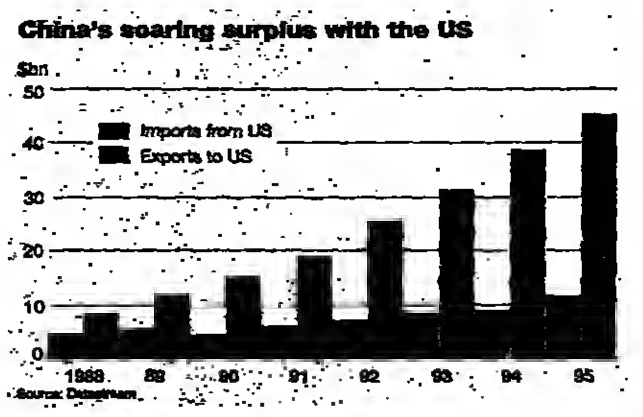
> 'The Chinese make it very difficult... their behaviour and the size of the trade deficit create extreme difficulties in Congress'

Maintenance of China's MFN status has been a key element of Mr Clinton's policy of "comprehensive engagement", which seeks to "manage" tha US-China relationship on a variety of fronts, including trade, nuclear non-proliferation and regional harmony. "The idea is to bring China to the table as a responsible player accepting international rules," an administration official said.

Whatever the president decides, Congress can override him by majority vote. In turn the president can veto the override in the hope that Congress does not do the same with a two-thirds majority.

The perceived failure of China to behave responsibly – particularly in the live missile war games across the Taiwan straits – has made this strategy vulnerable to political attack.

China's soaring surplus with the US



Source: Datastream

Even though tensions now have eased on Taiwan, and China seems inclined to be helpful in negotiating e settlement on the Korean peninsula, the administration must deal with complaints that Beijing's human rights record has only grown worse, that it is alleged to have sold dual-use nuclear technology to Pakistan and that its large trade surplus with the US ($40bn last year) is growing.

Mr Clinton must have some co-operation from China if he is to take on his critics. Business lobbyists are also hoping for help from Beijing. Year after year they trudge to Capitol Hill hawking their vision of profits to be gained from China's market of 1.2bn. But the dreams are getting old, and many lobbyists are dismayed at having to defend much that is indefensible.

"The Chinese make it very difficult to help them," says Mr Peter Watson, chairman of the International Trade Commission. "In an election year, their behaviour and the size of the trade deficit create extreme political difficulties in Congress."

If China intended to send a message last month, apparently awarding two large aircraft contracts to European manufacturers, the move may have backfired. Congressmen have just been given new cause to complain.

In Congress coalitions are forming and reforming across party lines. Liberal Democrats and conservative Republicans, equally appalled by China's human rights violations and its bullying of Taiwan line up together. Last month a bipartisan group of legislators – including Mr Tom Lantos, a California Democrat, and Mr Dana Rohrabecher, a California Republican – warned China that its behaviour on Taiwan was "profoundly destabilising to the entire region".

Mr Lantos predicted that a majority of the House would vote against a renewal of MFN. It is even possible that the House could override a presidential veto, although the pro-MFN coalition is likely to hold in the Senate.

Congress may not even try to overturn his decision, but may instead pass its own sanctions and Mr Clinton might go along with them, especially in view of the fact that Ms Charlene Barshefsky, acting US trade representative, achieved only "mixed" results on a recent trip to Beijing.

Signals are not enough, an administration official said. "There must be deliverables."

He went on: "Beijing must close more of the plants which are now producing record levels of stolen compact discs, videos and computer software. It must also give market access to foreign intellectual property industries – films, recordings, software, books – who propose doing legitimate joint ventures with the pirate plants."

WORLD TRADE NEWS DIGEST

Thais in $1bn Airbus order

Thai Airways International has ordered nine Airbus aircraft for 1997-1999 delivery in a move to rationalise its diverse fleet. The $1.1bn order, subject to government and shareholder approval, is part of the carrier's five-year, $4.37bn plan to buy 21 new aircraft to replace 31 craft being taken out of service.

In February, Thai Airways chairman Siripong Thongyai said the airline was trimming the number of aircraft models in its 73-plane fleet to six from 14. The announcement on Airbus orders followed Thai Airways' decision in mid-March to buy six Boeing 777-300s for about $1.04bn.

Apart from five Airbus 300-600s, four Airbus 330-300s, and six Boeing 777s ordered since March, other new aircraft to be acquired in the next five years include four Boeing 737-400/500s and two Boeing 747-400s. The new aircraft will be mostly powered by engines from General Electric, Pratt and Whitney and Rolls-Royce. *Reuter, Bangkok*

Olympic 'pimple' contract won

A A$40m (US$31.7m) contract to remove unsightly power lines, which would have marred television shots of the Sydney Olympics Games, has been won by the cable division of Pacific Dunlop, the Melbourne-based conglomerate.

The contract results from an adverse comment made by Mr Dick Ebersol, president of NBC Sports, during a visit to Sydney last August when he called the 5km of criss-crossing power lines "a pimple on the face of a beautiful woman". NBC paid a record US$715m for the US television rights to the 2000 Sydney Games.

The New South Wales state government will meet half the cost of removing the power lines, while the remaining A$20m will come under a sponsorship agreement involving the Sydney Organising Committee for the Olympic Games and Energy Australia, the local electricity utility. The lines will be put underground. *Nikki Tait, Sydney*

Lucas to supply Ford gas tanks

Lucas Industries, the UK automotive and aerospace group, is to supply Ford in the US with high pressure on-board fuel tanks for natural gas powered versions of Ford's F Series pick-up truck and the Econoline panel van. Lucas' aerospace subsidiary is to design and manufacture the tanks under a contract expected to be worth at least $50m over the life of the contract.

With nearly 700,000 sales last year, Ford's F Series truck is the biggest-selling vehicle in North America while the Econoline, with more than 150,000 units sold last year, is the US panel van market leader. While most of these are petrol-powered, Ford has been concerned to make its own natural gas powered versions available to meet tightening exhaust emissions standards. *John Griffiths, London*

Romania stamps on smuggling

Romania yesterday imposed cigarette duty stamps in a bid to combat smuggling, tax evasion and counterfeiting. Press reports said finance ministry officers would confiscate packs which did not have stamps and issue fines of up to 20m lei ($6,870). Taxes on luxury foreign brands can be as high as 300 per cent while local cigarettes carry a 45 per cent duty, making cigarette smuggling lucrative and widespread. Western cigarettes sell for less than $1 a packet in Bucharest.

RJ Reynolds of the US, which opened a factory in Bucharest last year to prodnce some of its lesser-known brands, expects to use up to 3m tax stamps a week. *Agencies, Bucharest*

CONTRACTS & TENDERS

oftel
Office of Telecommunications

PROPOSED MODIFICATIONS OF THE LICENCE OF MERCURY COMMUNICATIONS LIMITED (MERCURY)

1. The Director General of Telecommunications (the "Director"), in accordance with section 12 (2) of the Telecommunications Act 1984 (the "Act"), hereby gives notice that he proposes to make modifications to the licence granted to Mercury Communications Limited on 5 November 1984 (the "Mercury Licence").

2. The principal modifications which the Director proposes to make are described in the Schedule below. The Director also proposes to make a number of minor and consequential modifications for the purposes of the principal proposed modifications.

3. A review of Mercury's licence concluded that certain conditions in the licence are obsolete, that others are not appropriate to a non-dominant operator and that obligations in Mercury's licence requiring advance publication of charges operate too harshly given Mercury's non-dominant position in most markets overall. He proposes that Mercury be subject to a requirement of effective day publication of charges. It is also proposed that the Interconnection and Associated conditions should be brought up to date.

4. The Director is required by section 12 (2) of the Act to consider any representations or objections which are duly made and not withdrawn. Following consultation and Mercury's agreement with them, the Director proposes to make the modifications forthwith.

5. The consultation procedure comprises two stages. In the first stage, representations on or objections to the proposed modifications may be made to David Naylor, OFTEL, 50 Ludgate Hill, London EC4M 7JJ (telephone 0171 634 8708) no later than Friday 31st May 1996.

Any confidential material should be clearly marked as such and separated out into a confidential annex. All representations or objections received by OFTEL, with the exception of material marked confidential, will be made available for inspection in OFTEL's library. OFTEL encourages interested parties to place the non-confidential parts of their representations, objections and comments on their own internet pages, in addition to sending OFTEL a hard copy. Comments on this document (if they are relatively short) can also be sent to OFTEL at the following e-mail address: press.office.oftel@gtnet.gov.uk.

6. In the second stage of consultation, interested parties are invited to send comments to OFTEL no later than Friday 14th June 1996 on the representations and objections received in the first stage. Copies of the proposed modifications can be obtained from Niall Horgan at the above address (telephone 0171 634 8862).

SCHEDULE

Proposed principal modifications of conditions of the Mercury licence

1. Deletion of outdated conditions.

It is proposed to delete the following conditions which are now no longer necessary.

Condition 6 - Calls made by Emergency Organisations. The Condition requires Mercury to have operators to connect calls in circumstances when they cannot be dialled direct. Because it is now possible to direct dial Emergency Organisations, the condition is redundant.

Condition 30 - Numbering arrangements. This has been superseded by Conditions 30A and 30B to Mercury's licence.

Condition 34A - Requirement to provide means of access to the Applicable Systems. This condition imposes an obligation on Mercury to provide access to its Applicable Systems, in conformity with certain standards which have now been superseded.

2. Deletion of conditions inappropriate to an operator in Mercury's position.

There are a number of conditions which are unnecessary for an operator such as Mercury. They are not found in licences granted to other operators in a comparable position to Mercury. In view of Mercury's market position overall it is reasonable that it should be put on the same footing as other comparable operators. The conditions to be deleted currently provide as follows:-

Condition 9 - Priority fault repair service. This requires Mercury to offer a priority fault repair service to particular groups of customers.

Condition 17 - Prohibition on cross-subsidies. This gives the Director a power to control unfair cross-subsidies to Mercury's Apparatus Supply, Apparatus Production, and Supplemental Services Businesses.

Condition 19 - Separate accounts for certain activities. This requires the keeping of separate accounts for Mercury's Apparatus Supply Business, its Systems Business and its Supplemental Services Business.

Condition 20 - Apparatus production. This requires any apparatus supply business which Mercury may have to be a separate subsidiary.

Condition 21 - Prohibition of preferential treatment. This condition requires Mercury's systems business not to give preferential treatment to any apparatus supply business which it may have.

Condition 32 - Prohibition of certain exclusive dealing arrangements. This condition would impose certain requirements on Mercury if it were deemed to be a Monopoly Purchaser of telecommunications apparatus.

Condition 36 - Prohibition of non-statutory testing arrangements. This condition prevents Mercury from imposing costs on apparatus to be connected to its network, over and above those required for apparatus approval under the provisions of the Act.

Condition 37 - Statutory testing. Mercury does not undertake statutory testing (and never has). Nor does it have any plans to enter this area of work.

Condition 38 - Limitations on integrated wiring situated on served premises. This condition prevents Mercury from installing its wiring in such a way as to prevent work on other systems installed on the premises. It is intended to prevent a dominant operator using its position to distort the apparatus (in wiring) supply and maintenance markets. These issues are now covered in the OFTEL Wiring Code.

Condition 39 - Wiring, etc. not forming part of the Applicable Systems. This condition seeks to ensure that, in installing lines, Mercury does not favour its own Businesses (Apparatus Supply and Maintenance) at the expense of third-party suppliers.

Condition 40 - Limitations on certain maintenance arrangements. This condition covers the publication of charges, terms and conditions for Maintenance Services which the customer can only obtain from Mercury.

Condition 45 - Pre-notification of joint ventures. This condition requires Mercury to notify the Director of certain agreements or arrangements.

3. Effective day publication.

Condition 15 - Publication of charges, terms and conditions. This condition at present requires Mercury to publish and notify the introduction of changes to tariffs 28 days in advance. Following the Post Duopoly Review, in similar PTO licences a licensee only has to publish its tariffs once the licensee is deemed a "well established operator", having attained a 25% share of the market for a given telecommunications service. Whether this regime should continue to apply, or should only apply to some of Mercury's tariffs, will be the subject of a later decision. In the meantime, it is proposed to remove the requirement that Mercury gives 28 days notice of a price change, which fetters Mercury's ability to compete with other operators on an equal footing. The proposed amendment to Condition 15 would therefore require publication and notification to OFTEL only on the day on which the tariff becomes effective i.e. when services are supplied under it.

4. Conditions requiring updating.

Condition 12 - Connection of systems providing connection services. It is proposed to amend this condition, which provides for the Director to review interconnection agreements. At present this condition gives the Director a role in determining interconnection issues not agreed between the two parties before the interconnection agreement has been signed. The licence does not however empower the Director to determine any issues which arise on review disagreement after the agreement has been signed and which arise on review unless the Director has determined the review clause of the interconnect agreement prior to its signing. The proposed licence modification is very similar to that already made to BT's licence, and tracks the change which OFTEL intends to make to all other similar PTO licences.

Condition 47 - Associates. Since the grant of Mercury's licence, this condition, which is standard to most licences has been revised to strengthen the Director's power to deal with attempts to avoid a licensee's obligations under its licence by going through another member of the corporate group to which the licensee belongs.

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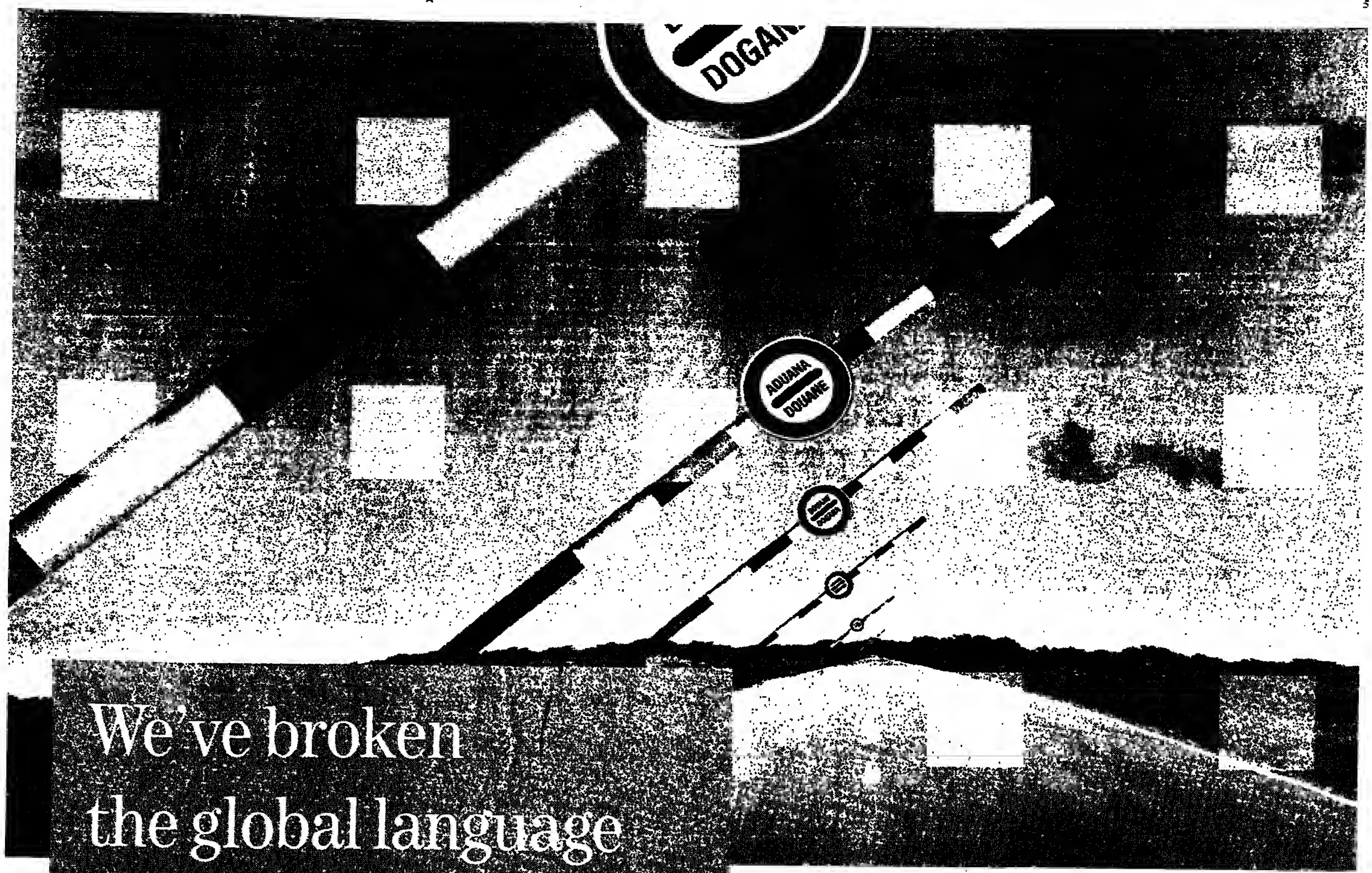


We've broken the global language barrier.

GSM is the world's first standard in digital mobile communications. It stands for Global System for Mobile Communications – and Deutsche Telekom played a big part in its development. Along with ISDN and Asynchronous Transfer Mode (ATM), it's just one of the foundation stones we are laying for the worldwide information infrastructure of the future.

We developed GSM with our partners in Europe – and it represents a major step in the quest for genuinely worldwide mobile communications. Promising guaranteed quality, global coverage and greater reliability of transmission, it's a considerable contribution to improved international understanding.

Developed in Europe. Designed for the world.
It has taken just five years for GSM to establish itself as the worldwide benchmark for digital mobile communications. In over 80 countries, across four continents, people depend on GSM networks – and the market is growing all the time. With our European partners, Deutsche Telekom has also opened the way for unlimited mobile communications between Europe and North America for the very first time, translating European-based GSM technology into a new global telecommunications language.

Our pioneering work does not stop there. While others make plans for the Information Superhighway, we're making it happen. We operate the most closely-woven fibre-optics network in the world – 100,000 kilometres of it. Our cable network is the largest in the world, and our ISDN network the most extensively developed. We were also the first company to use ATM: a new and much more sophisticated information transmission system.

Are we talking your language?
Deutsche Telekom is the No. 1 communications company in Europe and the second largest network operator worldwide. In the race to develop telecommunications technology, few others can keep up with us. We offer multimedia and online services, "smart" networks and a wealth of experience and know-how – all backed by strong business partnerships which span the globe.

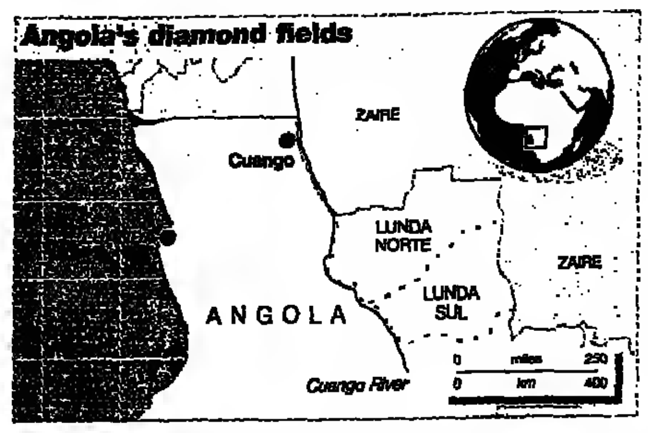
If your company could benefit from what ours has to offer, let's talk.

Our connections move the world.

Deutsche Telekom

Angola's peace now hangs on who gets the diamonds

Michela Wrong on negotiations over Africa's shining fields



When President Jose Eduardo dos Santos and Unita leader Jonas Savimbi met in Gabon in March to kickstart Angola's stalled peace process they spent an unprecedented length of time together behind closed doors.

No one is sure what was discussed. But most analysts in Luanda are convinced their private talks concentrated on the issue that could still torpedo 17 months of diplomacy – the question of who wins control of the spoils of war: Angola's diamonds.

As negotiations are translated into changes on the ground, with Unita quartering its fighters and the army pulling back, attention is focusing on two provinces so far untouched by the peace process – the lawless Lunda Sul and Lunda Norte, Angola's diamond-rich "Wild East".

The Lundas' most lucrative mining areas have been in Unita hands since the guerrilla movement rejected the election results of 1992 and relaunched the civil war. Source of some of the world's best quality gems, these alluvial deposits provided the funds Unita once received from western backers.

The government, whose diamond revenues collapsed as gems were smuggled across the border in Zaire, wants the areas back. But claiming them risks alienating Mr Savimbi as he teeters on the edge of accepting a vice-presidency and completing his transition from warlord to opposition leader.

"There must be a deal done on diamonds," says Mr Johan Van der Stricht, exploration manager for Brazilian mining services company Odebrecht. "The commercial interests at stake are so great, unless a consensus is reached the whole peace process risks going down the drain."

The Lundas acquired their reputation as an African Klondike, a region where fortunes were made and lives lost with equal speed, in the early 1990s when a law allowing private individuals to own and sell diamonds was passed.

Thousands of garimpeiros – amateur diggers – rushed to explore the riverbeds, becoming pawns in fierce battles for turf waged by the middlemen: army generals, South African mercenaries, West African traders, exiled Zairean gendarmes, riot police, mining companies and Unita fighters.

"It's the Wild West up there, it's Dodge city, it's Chicago, it's gangsterland," says a mining manager with a shake of the head. UN troops, monitoring ceasefire violations elsewhere, turn a blind eye to the ambushes and kidnappings that are a regular feature of life in the Lundas.

The government, which estimates that the $5m or $6m a month of officially declared production is less than a tenth of total national output, has passed new laws aimed at "stabilising" the area. They carve the region up into concessions granted to small mining operations that will, in theory, pay tax and market diamonds through Endiama, the state body. The process of clearing garimpeiros off the land has already begun, with often bloody results.

Deciding who will control the spoils of war could torpedo the peace

But Unita, facing an uncertain future as an opposition party, is equally determined to retain control of a key resource. Luanda's offer that Unita run the ministry of mines in a new national unity government has little value, the rebels know, if they have lost their hold on the ground.

Arguing that the government has never considered negotiating control of its own source of revenue – the offshore oil industry – Mr Isaias Samakuva, head of Unita's delegation in Luanda, says he sees no reason why Unita's stake in the Lundas should not be legitimised.

"Political parties cannot own concessions but private companies can. We are taking provisions so we can do that. It is our right as Angolans."

Despite denials from both sides, that process, according to diplomats, has already begun. Two Unita-controlled diamond companies – one for marketing, one for mining – have already been registered in Luanda and talks are under way to establish which concessions the companies will control.

Details are unclear, but whatever deal is being prepared is bound to focus on the Cuango river in Lunda Norte, jewel in the crown of Angola's diamond industry, where 90 per cent of the stones found are of gem quality.

Experts estimate the basin near Luzamba, 30 miles from the government-held town of Cafunfo, produces half of Angola's diamonds and is probably earning Unita $300m-$350m a year. Unita occupied it after Odebrecht had built roads, hospitals and schools and prepared the site for exploitation.

Industry sources say the government seems determined to normalise things in the Cuango and the likelihood is that De Beers, which used to run the mines for the government but pulled out as security deteriorated, will be invited to join a consortium embracing Endiama, Odebrecht and Unita.

Any doubts the South African company would entertain about working with former guerrillas would be offset by the awareness that it risks being marginalised in Angola. Since withdrawing, De Beers has, with the exception of a recent prospecting agreement, been confined to hoovering up Angolan diamonds surfacing in Kinshasa, Antwerp and Israel in a bid to maintain world prices.

Such a deal would almost certainly win the backing of the foreign governments pushing peace negotiations.

"Unita needs resources to make the transition from guerrilla movement to political party," says one ambassador. "The international community has promised Savimbi he will have the resources to make his case ahead of the next elections and that Unita will not allowed to wither away like so many African opposition parties. We regard these issues as crucial."

The question is whether the government can control its own men on the ground.

Many of the new concessions granted have gone to top officials, army generals and their family members. Little more than high-ranking garimpeiros themselves, they pay no tax, do not market their diamonds through Endiama as required by law and have little interest in seeing the "stabilisation" programme through.

"Outside the Cuango area, I'm not sure the government has the will or the capacity to sort out the diamond mining," says a diamond dealer. "I suspect the situation in the rest of the Lundas will remain confused for quite some time. When the military activities stop the economic warfare will take over, and the fighting over spoils will be lively."

South Africa faces deadlock over constitution

By Roger Matthews in Johannesburg

The danger of a deadlock in agreeing a new South African constitution grew yesterday after political parties failed to resolve differences during another all-night session.

Mr Carl Neihaus, a spokesman for the ruling African National Congress, said the situation was "very serious". "We have passed many of the deadlines we set ourselves. We are heading for serious problems. The possibility of e referendum is looming very large on the horizon," he said.

Mr Cyril Ramaphosa, the chairman of the constitutional assembly and secretary-general of the ANC, warned negotiators they had entered "the danger zone". If the parties were unable to achieve a consensus they could be heading for a route "which spells disaster for this country," he said.

The constitutional committee had hoped to complete e draft text today. This would be debated next week by the full constitutional assembly, formed by the national assembly and the senate, in time to be edopted by the May 8 deadline. If all efforts at reaching a compromise fail, then the issues would eventually have to be put to a costly and time-consuming national referendum.

This would be likely to raise further questions about South Africa'e political and economic stability when the currency is already under pressure on international markets.

The rand, which has fallen by 18 per cent against the dollar since mid-February, closed R0.04 lower in Johannesburg yesterday at R4.37.

Three critical constitutional issues are blocking progress. The first involves the right of employers to lock out striking workers. The unions, eupported by the ANC, want all references to lock-outs dropped from the constitution.

However, the National Party, headed by deputy president FW de Klerk, and the small Democratic Party, insist the clause must remain in order to balance workers' right to strike.

The wording of the clauses on property rights is proving no less difficult. Disagreement centres on whether the state ehould "guarantee" or "respect" property rights, and the extent to which this is affected by land reform legislation which seeks to redress land seizures during the apartheid years.

The parties are also sharply divided over whether the constitution should permit single-language schools, e right demanded by those whose first language is Afrikaans and who believe the clause is vital to retaining their cultural identity.

The prospects of reaching a national consensus over the constitution were reduced last year when the mainly-Zulu Inkatha Freedom Party, headed by Chief Mangosuthu Buthelezi, walked out of the constitutional assembly. It has refused all appeals to return.

President Nelson Mandela announced yesterday a special cabinet meeting on Monday to decide whether it is possible to go ahead with the already postponed local elections in KwaZulu Natal at the end of this month. Party leaders have been invited to attend.

INTERNATIONAL NEWS DIGEST

Nigeria purges more officers

Nigeria's military rulers have retired dozens of air force and navy officers, two weeks after scores of army officers were swept out, military officials said yesterday. "I have heard of the retirements but I do not yet have any official report," defence spokesman Brigadier-General Fred Chijuka said.

Local newspapers named senior naval officers, including commerce minister Rear Admiral Isaac Areola, flag officer of the western naval command Rear Admiral Rufus Eyitayo and chief of fleet support Rear Admiral Oladele Dada among those retired.

The newspapers said 10 group captains, six wing commanders and 10 squadron leaders, among many others, were retired from the air force.

In mid-April 16 army generals and scores of other officers were retired in what an army spokesmen later termed a "routine exercise". Western diplomats said the purge in the military would consolidate the position of General Sani Abacha as Nigeria's ruler and neutralise any hint of a challenge to his authority. *Reuter, Lagos*

Iran 'building missile tunnels'

Iran is apparently building tunnels along its south-west coast that could be used to launch or store long-range missiles, the Pentagon said yesterday. US defence department officials confirmed a report in Jane's Defence Weekly magazine quoting General Binford Peay, chief of the US Central Command, as saying the US was concerned about the tunnel and was watching it closely.

Gen Peay said Iran had recently attempted to buy a number of No-Dong ballistic missiles from North Korea but the deal fell through two months ago for financial reasons. Such missiles could give Iran the ability to launch a strike at Israel, according to defence analysts.

Taken by itself the tunnelling was not significant, US defence officials said, but when added to other new Iranian capabilities such as Soviet-made submarines and Chinese-built anti-ship missiles the step became more noteworthy. *Reuter, Washington*

Egypt plays down Turkey rift

Mr Amr Moussa, Egypt's foreign minister, in Ankara yesterday for talks with Turkish officials, played down Arab concerns over a military co-operation agreement signed between Turkey and Israel in February.

He said he was satisfied with Turkish assurances that the accord was not a threat to Middle East peace.

The deal has caused an outcry in many Arab states, especially Syria and Egypt, which have portrayed it as a threat to the region's military balance.

Although full details of the agreement have not been made public, one of its provisions allows the Israeli air force to conduct training exercises in Turkish airspace.

Mr Moussa's visit comes two days after Israel and the US announced a deepening of strategic military ties. A diplomat in Cairo said the new military agreements with Israel were making the Arabs "feel nervous and insecure".

The pact has especially worsened relations between Turkey and Syria who are already at loggerheads over accusations by Ankara that Damascus offers refuge to Kurdish rebels fighting for an independent state in southern Turkey.

Syria is also concerned about Turkey's extensive dam building programme, which it says threatens its future water supplies. *James Whittington, Cairo*

LEGAL NOTICES

NOTICE OF ADMINISTRATION ORDER
Homepower Stores Limited
Registered No: 3003018
NOTICE IS HEREBY GIVEN that D K Duggins and I Best of Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD were appointed Joint Administrators of the above company by an Administration Order made on 29th April 1996.
D K Duggins
I Best
Joint Administrators

NOTICE OF ADMINISTRATION ORDER
PowerStore (Trading) Limited
Registered No: 2806049
NOTICE IS HEREBY GIVEN that D K Duggins and I Best of Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD were appointed Joint Administrators of the above named company by an Administration Order made on 29th April 1996.
D K Duggins
I Best
Joint Administrators

NEWS: THE AMERICAS

Congress may not raise US entry curbs

By Jurek Martin in Washington

Congress now appears unlikely to impose new restrictions on the legal rights and numbers of asylum-seekers and refugees trying to enter the US.

On Wednesday night the Senate, by the narrowest of 51-49 margins, even voted effectively to repeal a controversial provision in the counter-terrorism act, signed into law by President Bill Clinton only last week.

This would have given immigration officers at a port of entry the authority summarily to deport anyone seeking asylum on the grounds of well founded fear of persecution at home if they felt the claim was unjustified.

The Senate decision reinstates the right of appeal to special immigration courts.

The vote came as part of the immensely complicated and intensely fought immigration bill, on which the Senate was expected to complete action within the next 24 hours. Its version will then have to be reconciled by a conference committee with that already passed by the House.

The House bill does contain the summary deportation clause.

However, both bills have been stripped of provisions imposing new low quotas on the annual number of refugees admitted to the US (about 110,000 last year), as well as cuts in the overall level of legal skilled immigration, which is currently pegged at 130,000 a year.

These were substantial defeats for Senator Alan Simpson of Wyoming and Congressman Lamar Smith of Texas, sponsors of the respective bills.

Mr Simpson has tied the Senate up in procedural parliamentary knots for a week unsuccessfully trying to reverse votes.

He did win a small victory on Wednesday when the Senate agreed to include in its bill, as had the House, creation of an "employee verification" pilot project aimed at illegal immigrants. However, the Senate rejected another proposal establishing a federal office able to impose sanctions on companies found evading the law.

The pilot project would require selected companies to ascertain the legal landed status of any potential staff, using the records of the social security system, including new standardised birth certificates, and a more comprehensive database to be compiled by the immigration and naturalisation service.

But it was so vebemently opposed by several conservatives that its fate in the conference committee may yet be uncertain.

They argued that it constituted another "big government" burden on businesses and was the first step on the slippery path to a national identity card system.

In general, the immigration debate has cut sharply across party lines. For example, Senator Edward Kennedy of Massachusetts, the leading liberal Democrat, joined Senator Simpson, a staunch conservative, in arguing in favour of employee verification.

Less controversy bas attached to the proposed crackdown on illegal immigration.

The Senate bill, like the House's, would double the number of guards on the border with Mexico, deny welfare and other social benefits to illegal immigrants and increase penalties for the smuggling of aliens and document fraud.

Argentine central bank accused

Argentina's central bank is coming under increasing scrutiny over its conduct in the collapse of Banco Integrado Departamental (BID), the biggest casualty of last year's banking crisis, writes David Pilling in Buenos Aires.

Mr Roberto Cataldi, former general manager of BID, which was last week declared bankrupt, has accused central bank officials of "pressuring" tbe bank into taking over weaker institutions before suspending it last April.

Mr Roque Fernández, central bank president, was on Wednesday asked by President Carlos Menem to make a public statement defending his institution's conduct in BID's rapid expansion, suspension and nltimate collapse.

BID was suspended in April 1995 after it stopped returning deposits during a run on Argentina's financial system that saw $8bn flee the country in the aftermath of Mexico's December 1994 devaluation. The bank, with more than 180 branches mainly in the agricultural province of Santa Fe, was laft owing $400m to 140,000 depositors.

Questions have been raised over why the central bank lent BID $170m in rediscount operations only weeks before it was suspended. Part of the money was used to take over Banco Aciso and Banco de la Ribera, weak institutions which Mr Cataldi says pushed BID over the edge. Mr Cataldi's accusations are being probed by a federal judge.

The central bank said its board had "never pressed the former Banco Integrado Departamental into absorbing other entities..., the financial assistance awarded to BID and entities it absorbed was carried out under the same terms and conditions as used with several other financial institutions", it said.

Taxing time for Canada's consumers

Many Liberals wish they had not promised to scrap the GST, reports **Bernard Simon**

Even before Canada's Goods and Services Tax took effect in January 1991, disgruntled consumers had christened the new value-added levy the Gouge and Screw Tax.

So it came as no surprise that the Liberal party, then in opposition, saw the GST as a golden opportunity to score political points when the next general election rolled around two years later.

The Liberals ambitiously pledged to replace the GST with a new system that "generates equivalent revenues, is fairer to consumers, minimises disruption to small business and promotes federal-provincial fiscal co-operation and harmonisation".

The Liberals won the election, but many now wish they had done so without promising to tinker with the GST.

"We made a mistake," Mr Paul Martin, finance minister, said in the House of Commons last week in an implicit acknowledgement that, whether Canadians liked it or not, the GST was there to stay.

Mr Martin's admission damaged the Liberals' credibility, though to what extent has yet to become clear. One backbencher was ejected from the caucus after voting against the budget in protest against his party's broken promise.

Ms Sheila Copps, the outspoken deputy prime minister, bowed to public pressure earlier this week to make good on her repeated pledges that she would resign if the GST was not replaced.

She hopes to re-enter politics by contesting the forthcoming by-election in her southern Ontario constituency.

The curious thing about the GST however, is that the political havoc it has wreaked stands in sharp contrast to the tax's success as an instrument of fiscal policy.

Pegged at 7 per cent since its inception, the GST was designed to increase Ottawa's dependence on indirect taxation. It replaced a 13.5 per cent manufacturers' sales tax which applied to only about one-third of goods and services, was difficult to administer and favoured imports at the expense of exports.

The GST is added to almost all goods and services, with businesses allowed to claim credits on tax paid on their inputs. A few transactions, including residential rents and most financial services, are exempt. Others, such as basic groceries, exports and medicines are "zero-rated", which means that vendors need not charge the tax but are allowed to claim input credits.

While consumers still chafe at having to pay an extra 7 per cent at the cash register, businesses have few complaints. Mr Michael Stark, a tax partner at Price Waterhouse, says that "now that business has adapted to the GST, it views a value-added tax as a better alternative to any other kind of consumption tax".

The government considered more than 20 options in its quest for a GST replacement. They ranged from a turnover tax to an intrusive "personal expenditure tax" based on the difference between an individual's income and savings. Supply-side economists pressed for the complete abolition of the GST, arguing that increased economic activity would generate the necessary revenues through higher income taxes.

Instead, Mr Martin has tried to refine the GST by persuading the ten provinces to blend it with their disparate retail sales taxes. The result would be a near-uniform sales tax of 14 or 15 per cent administered by a single level of government.

Nine provinces – the exception is oil-rich Alberta – currently impose sales taxes, ranging from 7 per cent in Manitoba and British Columbia, to 12 per cent in Newfoundland. Canada is the only industrial country with a federal value-added tax which is not integrated with retail taxes levied by other levels of government.

Business groups strongly favour harmonising the federal and provincial systems. The provincial taxes apply to a smaller range of goods than the GST and to only a handful of services. They also have the drawback of "cascading", in other words, forcing buyers to pay taxes on taxes.

However, the attempt to harmonise the federal and provincial taxes has run into strong opposition from provincial politicians wary of having anything to do with the hated GST.

Provinces with relatively low rates or a far narrower coverage than the GST, such as Alberta, BC and Ontario, are dead set against a new system that would have the appearance of a tax increase.

Those with higher rates are worried about a loss of revenue. The provinces are also sensitive to criticism that the value-added GST's system of input credits appears to shift the tax burden from businesses to consumers.

"The root problem is a perceptual one on the part of the public," says Mr Brian Collinson, director of taxation at the Canadian Manufacturers Association.

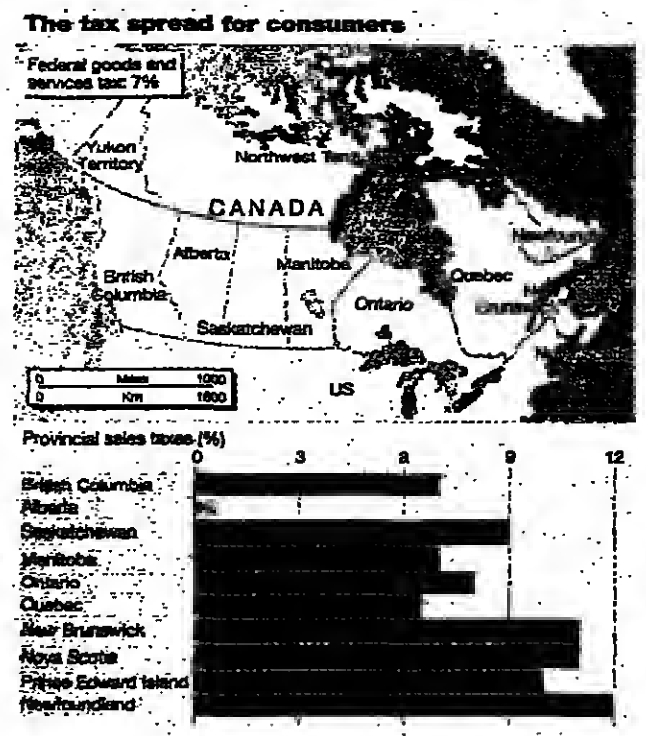
Consumers paying the full 15 per cent at the cash register are bound to see input credits as "a windfall for the business community," Mr Collinson says.

Quebec agreed to a modified harmonisation system in 1992. A renewed push by Mr Martin earlier this year has persuaded three high-tax Atlantic provinces – Newfoundland, New Brunswick and Nova Scotia – to join the fold from next April.

The federal government has agreed to pay the three provinces almost C$1bn (US$734m) over the next four years to compensate for lower revenues. But some other provinces have complained that the deal is so generous that the GST component for Newfoundland will amount to only 5.5 per cent.

In an effort to curb shoppers' ire, the harmonised tax will be different from the GST in one important respect. The tax will be included in the price tag on the store shelf. "It gets rid of the cash register shock that's been a prominent complaint," says one GST expert.

The government is now crossing fingers that the benefits of a single sales tax will slowly but surely become apparent across the country, even if it continues to be dubbed the Gouge and Screw Tax.



Dole backs removal of software export ban

By Louise Kehoe in San Francisco

Senator Bob Dole, tbe Republican presidential candidate, yesterday threw his support behind proposed legislation to remove US export restrictions on computer software used to encode Internet messages.

The new Security and Freedom through Encryption bill, introdnced yesterday by several Republican senators and congressmen, also rejects a controversial Clinton administration proposal to enable law enforcement agencies to unlock encoded electronic messages.

For Senator Dole, the encryption bill provides an opportunity to seek support from Silicon Valley high-tech leaders, many of whom backed Mr Bill Clinton in 1992, and to boost his election campaign efforts in California.

"The administration's misguided proposal on encryption amounts to a pair of cement shoes for Silicon Valley," said Senator Dole. "It seems to me that a new pair of track shoes might be a better answer. The administration's big brother proposal will literally destroy America'a computer industry," he said.

Encryption software is currently classified as "munitions" and exports are strictly limited by the US state department. US and other western intelligence and law enforcement agencies are opposed to the commercial use of the most powerful encryption methods whicb they argue could be used to mask criminal or terrorist activities by effectively preventing wire-taps.

However, US software companies maintain that the current export restrictions threaten US pre-eminence in the world software market.

A study by the Computer Systems Policy Project, a computer industry group, estimated that within four years the US economy would lose $60bn in revenues and roughly 216,000 jobs as a result of encryption export controls.

Moreover, current regulations, which allow export only of "weak" encryption, are unacceptable because sncb encoding has been demonstrated to be ineffective.

Last year, for example, students in France were able to break encryption which is used in the export version of Netscape Communication's popular internet browser software.

The limited availability of strong encryption software is also blocking the progress of electronic commerce on tha Internet, US computer experts argue, because companies and individuals are reluctant to make electronic payments over the Internet without assurance of security.

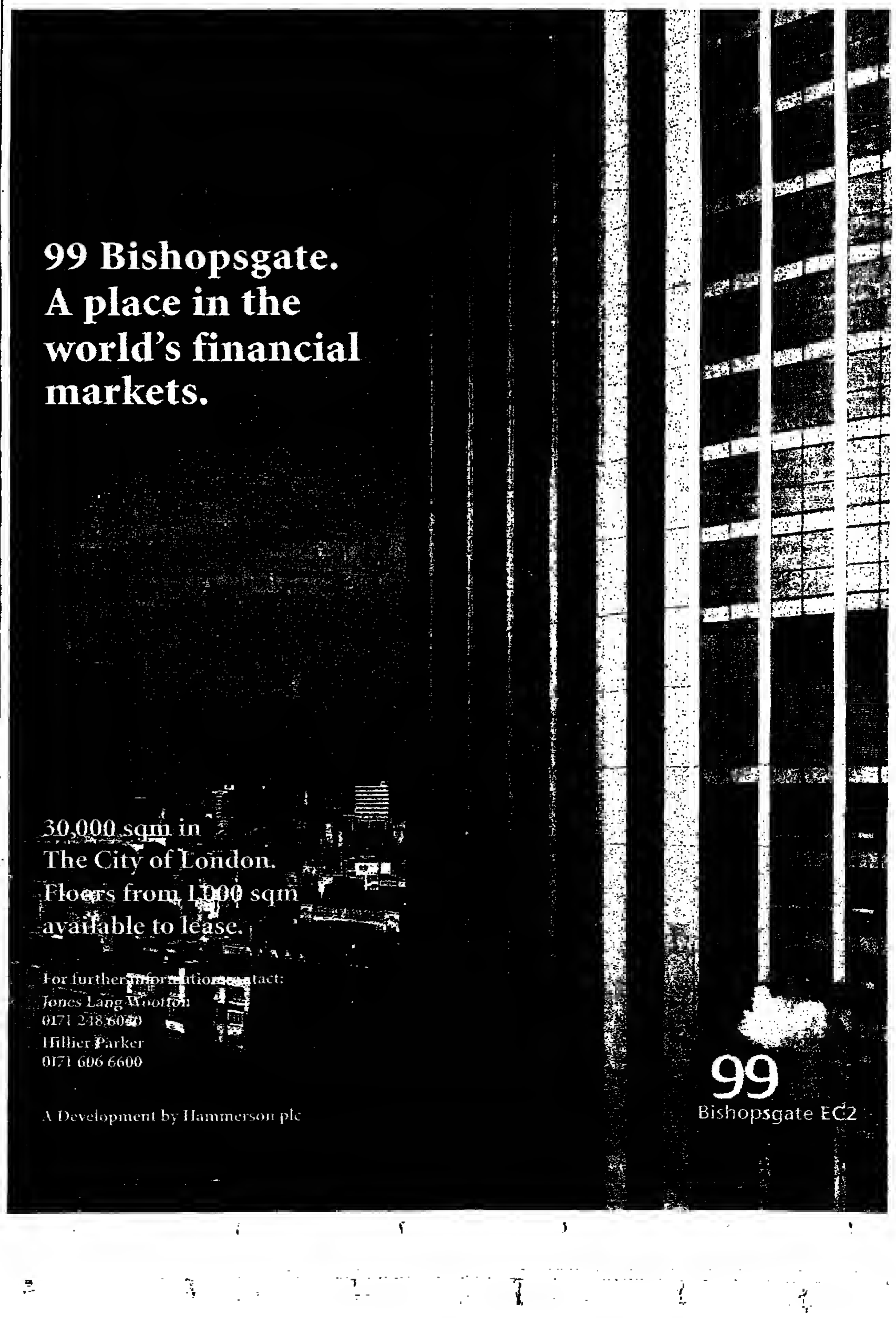
The "year 2000 problem" – which will affect many older computer systems and software that rely on two rather than four-digit codes to designate the year – could cost the US government $30bn, according to evidence given to a House of Representatives sub-committee, writes Paul Taylor in London.

Mr Kevin Schlik, research director at the Gartner consultancy group, told the House sub-committee on government management, information and technology, that "time is running out" to deal with the problem which, unless fixed, could result in the breakdown of many billing and other computer systems at the turn of the century.

"We estimate 30 per cent of computer applications will not be year 2000-compliant by the end of 1999," says Mr Schlik. "This is not a problem for 2000, this is a problem for today," he added.

Gartner has estimated that addressing the problem – which stems from the fact that many computer systems will read the year 2000 as '00' – could cost governments and business about $600bn worldwide.

Mr Schlik said the US government operations and service most exposed to the problem include the Pentagon, Inland Revenne and the social security system.



ADB plays down alternate funding plan

By Edward Luce in Manila

Mr Mitsuo Sato, president of the Asian Development Bank, yesterday played down suggestions that the diversion of net profits from the bank's market-based activities would make up for shortfalls in rich countries' donations to the bank's soft-loan window, the Asian Development Fund.

Mr Sato, appointed yesterday to a second five-year term as president of the ADB, told the bank's annual meeting that siphoning off net income from ordinary lending operations could lead to a downgrading of its credit rating. This could be self-defeating as it would push up the cost of borrowing for the ADB.

"If we try to transfer too much money from our ordinary resources, the ADF will be happy, but our soundness may go down," Mr Sato said. "Our credit ratings may be affected and that will raise our funding costs."

His comments came just a day after Mr Jeffrey Shafer, US treasury under-secretary, told ADB delegates the bank should dip into its own reserves to cover falling OECD donations.

The US, in arrears of $337m to the soft-loan fund, which is expected to run dry by the end of the year, has urged the richer Asian economies such as South Korea, Taiwan and Singapore to contribute more to the fund. South Korea and Taiwan gave little indication during the meeting that their contributions of US$15m to the 1992 replenishment would be significantly stepped up for the next ADF.

Mr Klaus-Jurgen Hedrich, chairman of the ADB board, yesterday attacked Singapore for apparently refusing to donate to the soft-loan window altogether. Singapore, which says it objects to subsidies on ideological grounds, could be excluded from ADF procurement contracts if it failed to contribute to the next replenishment, Mr Hedrich said.

The island state had netted more than US$130m in ADF contracts since it was created, he added.

Mr Sato, who will chair the next donors' meeting in June, said failure to clear donor arrears to the 1992 fund this year could force the ADB to adopt a formula struck last year by the World Bank's soft loan arm, the International Development Association.

The IDA set up a one-year interim or "bridge financing" fund during which the US was excluded from soft-loan procurement contracts while it cleared its arrears to the previous replenishment.

Editorial Comment, Page 13

Push for Thailand groups to go public

By William Barnes and agencies in Bangkok

The new head of Thailand's Securities and Exchange Commission wants to make it easier for "export-oriented and capital-intensive" companies to go public, he said yesterday.

Staking out a claim as a reform-minded regulator, Mr Pakorn Malakul Na Ayudhya said reform and strict regulation of Thailand's capital markets should continue. He was echoing the agenda of his predecessor, Mr Ekamol Kiriwat, ousted four months ago partly for his reformist zeal.

Finance Minister Mr Surakiart Sathirathai will be an opposition target in next week's parliamentary no-confidence debate, in part because of the suspicion that he forced Mr Ekamol to resign for allegedly being too tough in his pursuit of stock market manipulators, whose practice of "ramping" (forcing equity prices up) hurt the market's reputation.

Mr Pakorn said that with the current account deficit so high – it stood at a five-year peak of 8.1 per cent in 1995 – "we should give added weight to projects beneficial to the country" rather then merely "building resorts".

Of Thailand's 10 biggest exporting companies, only one, Alphatec Electronics, is listed on the Stock Exchange of Thailand, he pointed out.

Mr Pakorn admitted that a move by the SEC to favour exporters, especially those who make high-tech products, might – if approved by the cabinet – not be universally popular. A nightclub company might claim it contributed to the tourist industry, he said.

Stockbrokers welcomed Mr Pakorn's comments but pointed out the Thai stock market had already undergone marked changes. "The rules already favour large industrial concerns; it would be impossible nowadays to list a single-asset hotel company, which used to happen before," Mr Korn Chatikavanij, president of Jardine Fleming Thanakom Securities, said.

"If the SEC wants to create a market that truly reflects the economy it should take privatisation seriously: electricity, water, railway, telecoms and the airline (currently a partial flotation) should all be listed," Mr Korn said.

Mr Pakorn said he wanted to deregulate the securities' industry by offering licences to securities companies to operate in all four areas of the business: brokerage, dealing, underwriting and investment banking. Many of the existing 84 companies do not have underwriting or investment banking licences.

India's poor have high hopes for change

'Booth capturing' cannot damp rural enthusiasm for democracy, writes Mark Nicholson

At the Sultanpur polling station yesterday in rural Bihar – India's poorest, most violent and electorally fraudulent state – no women voters could be seen. Inside, male voters who assembled only after journalists arrived, cast their ballots. But no official took their thumb prints as the law requires.

And behind the official's desk sat a ballot box, the lid wide open. "There's trouble here, the booth's been captured by the Samata Party," a Janata Dal Party worker whispered to reporters.

A few kilometres down the road, the scene was similar, except that the Korampur voting station appeared to have been "captured" by Janata Dal.

"Booth capturing" is almost a Bihari sport. The state's chief election officer said yesterday's poll, the state's first voting day in India's staggered general election, was "better than most" and only 20-30 instances of booth capturing had been reported from the 62,000 stations where polling was held.

But neither Sultanpur nor Korampur would have been reported as "captured" nor thousands of others. Bihari "capturing" is too well organised.

Such cynical rigging ought to be enough to extinguish whatever democratic spirit Biharis have left. But a little further down the same road, at Durmi, came proof otherwise.

Dozens of women, all dressed in their finest saris, made their way to vote. The difference? Heavily armed police surrounded the polling station. Locals felt safe, and queued up to vote.

Bihar is an extreme example of electoral malpractice in India. Elsewhere, donning one's finery to vote is more the rule than the exception. Election days are special occasions, and the world's biggest democracy, 590m, proves it consistently by turning out in proportions which shame western democracies. Turnout has risen virtually consistently since India's first post-independent poll in 1952, when 40 per cent of voters cast their ballot. Turnout was 60 per cent in the last election in 1991. This year it is likely to be 50-55 per cent.

Turnout this year may be slightly lower – perhaps because the campaign, tightly policed by a more assertive election commission, has been duller. But surveys show Indians are keener than ever on democracy. A national election survey, last held 25 years ago, recently found that 68 per cent believe India cannot be better governed than by "parties, assemblies or elections". In 1971 the proportion was just 44 per cent.

This, despite a year of political scandals that culminated in India's biggest political bribes affair, in which 25 top politicians face trial on corruption charges. The Indian politician's image has seldom been worse. Neither might the poor mass of Indians, 40 per cent of whom still fall below the poverty line, feel particularly well led. This could also explain why so many Indians vote.

"Those who are angry use their vote to express their anger," says Mr V P Singh, Janata Dal prime minister from 1989 to 1990.

"Indian voters also realise the value of their vote – they can form governments and throw them out."

Taking part in the world's biggest democracy: a voting woman makes her mark — Reuter

Indeed India's electorate threw out Mrs Indira Gandhi in 1977 in a rebuff for her imposition of a state of emergency. In 1989 they turfed out Mr Rajiv Gandhi, Indira's son, for his alleged corrupt involvement in an armaments deal.

This year, India's voters look set to issue no such decisive outcome. Yet Mr Singh, and other analysts, believe voters are becoming even more convinced of the value of their vote. They see India in the midst of a political transformation, one which is gradually eroding the power of the traditionally powerful, higher caste elites, in favour of the poorer and lower castes.

The chief political victim is the Congress party. Its support is increasingly being leached away by regionally based leaders championing the poor.

The emergence of these parties as national players, argues Mr Singh, adds to the power of the previously powerless. "There is no cynicism about elections among the poor and lower castes," he says. "For them, every election means a little more power."

And, for all its electoral flaws, there are few better illustrations of this than Bihar. Even without the "booth capturing", it is likely the state's poor voters would have returned a near sweep of Janata Dal MPs, as it did in 1991.

The party's leader and Bihar's chief minister, Mr Laloo Prasad Yadav, has forged an "anti-upper class" alliance of the middle and lower order castes with a potent mix of populist charisma. The self-made former goat herd delights in shocking the cocktail parties by flourishing "peasant" mannerisms.

"My priority is the people who are illiterate, Dalits, labourers, people who have energy but no land," he says. "They have become victims of the machinery of democracy. But people are its owners, this machinery should be the servants of the people."

And his message has taken root in Bihar's villages, even if some of them are deprived their vote, or complain the state government has not improved their lives. "Laloo is trying," says Mr Bishesh Kumar, a low caste villager near Hajipur. "If he gets the chance of power in the centre, he will change our lives."

ASIA-PACIFIC NEWS DIGEST

Home loan call to Japan banks

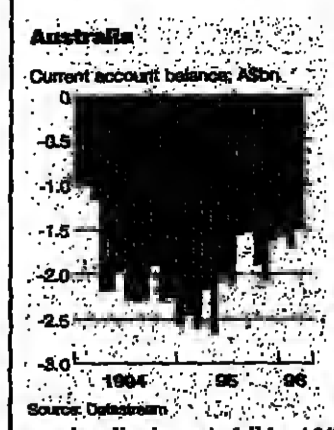
The Japanese government will next week seek from leading banks an increase in their contribution to liquidating the country's bankrupt housing loan companies.

The announcement follows the government's attempt to quell public anger and break a parliamentary deadlock by agreeing last month to freeze temporarily Y685bn ($6.5bn) in public spending controversially earmarked for the seven jusen housing lenders.

The finance ministry is now looking to pass the costs of the liquidation on to the banks, the original founders of the housing loan companies. "The banks that founded the jusen companies currently have enough profits to consider additional burdens," Mr Wataru Kubo, finance minister, said yesterday.

Mr Kubo said the ministry would start negotiations with the banks on the details once the budget for the current fiscal year passed the upper house. *Emiko Terazono, Tokyo*

Australia trade deficit falls



Australia's current account deficit fell to a seasonally adjusted A$1.51bn (US$1.2bn) in March, its lowest level for almost two years. The figure was marginally higher than private-sector economists had been predicting but significantly less than the record A$3bn figure which raised concern last May. Since then, the monthly current account deficits have steadily reduced, helped by the slowing economy – which reduces demand for imports – and an improvement in some agricultural and mineral exports. In March, merchandise imports fell by A$428m or 6.4 per cent. Exports dipped by 1.4 per cent. *Nikki Tait, Sydney*

Telstra sale details announced

Australia's coalition federal government yesterday introduced legislation into parliament to permit the sale of one-third of Telstra, the government-owned telecommunications group, to private-sector investors.

The Telstra bill will restrict aggregate foreign ownership of the group to 11.6 per cent, or 35 per cent of privatised equity. It will also restrict individual foreign ownership to 1.6 per cent. The bill will stipulate that Telstra's head office and operating base remain in Australia and that its chairman and a majority of directors are Australian citizens. *Nikki Tait*

S Korea trade deficit soars

South Korea announced a sharply higher trade deficit yesterday of $2.01bn in April, after a better than expected deficit in March of $362m.

The deficit for the first four months of the year of $5.85bn compares with a forecast deficit for the full year of $7bn.

The figures alarmed the markets. "Exports growth in April slowed faster than anyone expected," said Mr Lee Jong-won, an economist at LG Economic Research Institute. "Exports have been the engine behind our economy. Unless monthly exports maintain at least a 10 per cent growth, an economic soft landing looks difficult to achieve." *Reuter, Seoul*

Chinese enterprises sent to market

Tony Walker visits a steel works designated a model from which all should learn

Mr Liu Han Zhang, the tough-talking factory chief of the Handan Iron and Steel Works, does not mince words.

"Here," he says, gesturing towards blast furnaces and grimy production lines, "we implement the policy of each according to his contribution not each according to his needs. From 1958 to 1990 the only 'ism' we adopted was egalitarianism. Now we've got rid of egalitarianism along with the iron rice bowl. They don't work."

Mr Liu's words would probably have been regarded as heresy at Handan as recently as 1990, but in that year the loss-making company introduced accounting standards which valued the real cost of producing a ton of steel and set production targets based on market prices.

Previously, less attention had been paid to production costs than to meeting state quotas. The workers' bonus system reflected this with employees paid extra whatever their contribution, hence reference to an unbreakable "iron rice bowl".

Now, according to Mr Liu, workers are rewarded according to their ability to achieve targets and contain costs. A system has been put in place to measure contributions of those involved at every stage of production.

That, at least, is Mr Liu's story and one China's State Council, or cabinet, seems anxious to propagate. For, Handan Iron and Steel, located in southern Hebei province about 300km south of Beijing, has been designated a model state enterprise worthy of emulation.

Model enterprises in China have a far from unblemished record, however, and several such as Dazhai, the agricultural commune in Shanxi province, are among the communist system's fallen angels.

Dazhai's production figures during the time it became a shrine of the Cultural Revolution (1966-1976) were wildly exaggerated and large dollops of state money were provided to prop up a dirt-poor rural community. Dazhai's propaganda value did not have a price.

But Mr Liu, who has been at Handan since it was established in 1958, is confident his formula can be made to work in other ailing state enterprises. He notes the Handan model has helped turn around the fortunes of the giant Anshan steel works in Liaoning province, and a smaller steel works in far-west Xinjiang region.

He is much in demand as a lecturer to representatives of loss-making state enterprises who are brought to Handan in increasing numbers to learn how it is done. About half China's 14,000 medium-sized and large state enterprises are in the red. Chinese newspapers have begun extolling Handan's virtues.

"To learn from Handan means how to learn to face the market and transform our minds, instead of relying on state support and a better market situation," said the Liberation Daily in an editorial. "To change the traditional planned economic mindset means one has to 'destroy the wall and get down to the sea' – pushing both the enterprise and the employees to the market."

Mr Liu's methods, which he says "cannot be learned from any textbook", appear to be a variation of the "management responsibility" system introduced in China in the 1980s in an attempt to make managers more accountable for the success of their enterprises.

On the face of it, Handan's results are impressive. In 1990, the first year of the new system, net profit was Yn1m ($120,000). In 1994 profits reached Yn780m before falling back to Yn709m last year as a result of lower steel prices and a nationwide credit squeeze.

In the five years to 1995 the company's net assets have grown to Yn4.6bn compared with Yn580m in 1990 and unlike many state enterprises across China it is not heavily burdened with bad debts.

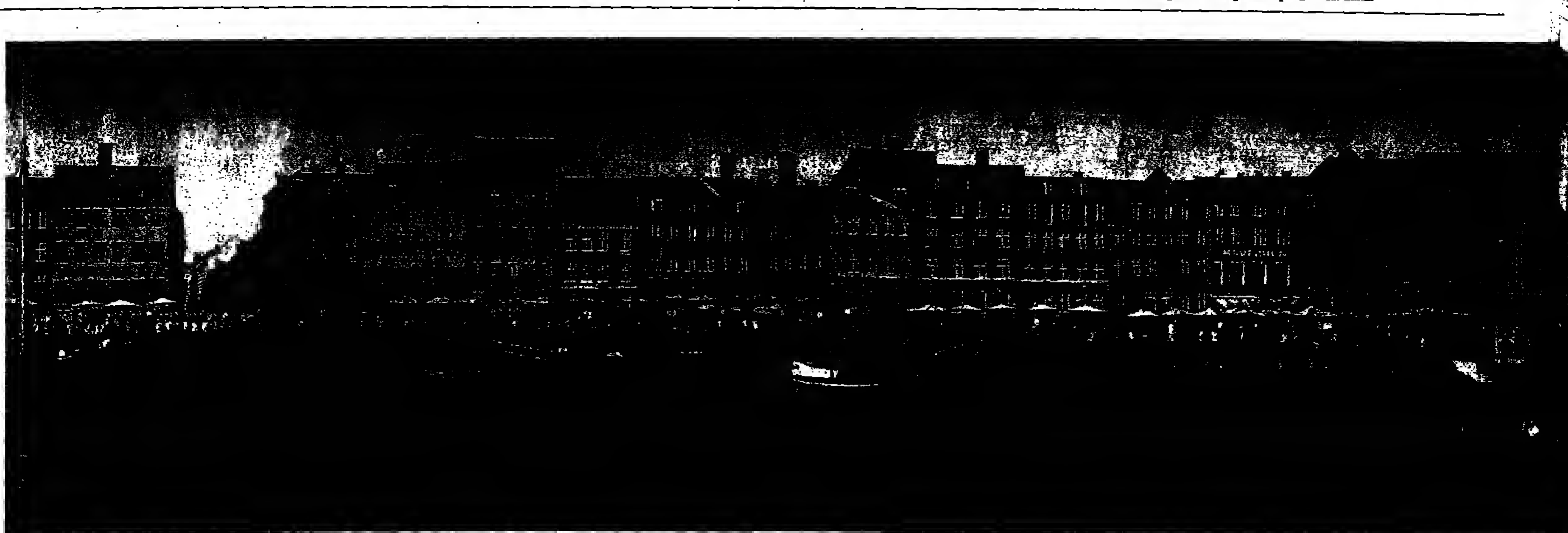
"Our policy is that we won't transport product until a contract is signed or until we have received the money," says Mr Liu. Chinese enterprises owed each other Yn800bn last year.

Since 1990 Handan has doubled production to 2.15m tonnes and now ranks 11th among steel producers under the ministry of metallurgical industry. With only 2.2 per cent of national production, it accounts for 8 per cent of profits.

Mr Liu, unlike many state enterprise bosses, is not talking about "downsizing" his enterprise, which carries the heavy burden of 28,000 employees. Some 10,000 are in steel-making and the rest are engaged in ancillary services, including schools and hospitals. "We can't just tell people to go. They have to have rice to eat," he says.

According to his figures, bonuses, which account for about half a worker's pay, offer real incentives, with those actually involved in production among the highest paid. Annual wages, including bonuses, range between Yn4,500 and Yn40,000.

Mr Liu believes his methods of rigid cost controls and incentives can be made to save other enterprises, although he concedes some are hopeless cases and should be made bankrupt. "State-owned enterprises under a socialist market economy can achieve very good results," he says. "That is why the State Council issued an official decree to learn from Handan."



NEWS: UK

Police boost fight against 'dirty money'

By Jimmy Burns in London

The City of London police force has created a unit to fight money laundering amid renewed fears that international criminal organisations are exploiting loopholes in the UK banking system to channel millions of dollars.

The Financial Investigation Unit (FIU) is to focus on cases of substantial and sophisticated money laundering, some of which have been identified in the past 15 months by the Bank of England's existing investigations unit. Two big cases already under investigation by the new unit are thought to involve the use of suspect money in the form of hedge funds linked to trade in commodities.

A senior investigator linked to the new unit said last night: "So far we have just been dipping our toes in the water. We think the problem of money laundering is much deeper and we need a unit like this to deal with it." Formation of the unit follows indications that the security service MI5 is also taking a more prominent role in the fight against money laundering.

Under regulations brought in three years ago after the Bank of Credit and Commerce International collapse, City of London financial institutions are required by law to report any suspect banking transactions to police and regulatory authorities. Creation of the FIU follows growing domestic and international criticism that the new regulations were insufficient to stop the exploitation of City markets by large criminal organisations.

The FIU hopes to develop intelligence links in order to identify more clearly significant cases among the hundreds reported annually to a special Bank of England committee drawn from the police, financial regulatory bodies and government departments.

The Bank of England said last night: "We have been aware for some time that money emanating from the former Soviet Union is becoming an increasing important aspect of money laundering. It is something that concerns us."

British investigators have identified several areas for potentially illicit transactions emanating from the former Soviet Union. They include funds controlled by politicians during the Communist regime, the sale of commodities and previous metals, trade in high technology equipment, and drugs and prostitution.

Few money transfers involve a direct transfer between the former Soviet Union and the UK. One area of concern has been the increasing use of financial offshore centres and "brass plate" companies to launder money.

Mergers watchdog quits over decision on electricity bids

By Robert Rice, Legal Correspondent

A senior member of the Monopolies and Mergers Commission has resigned in protest over the competition watchdog's handling of the electricity generators' bids for two regional distributors. Mr David Kinnersley, former chief executive of North West Water and an adviser to the government on water privatisation, said he was also "very dissatisfied" with the way the commission was working and called on other members to follow his example.

The bids by National Power and PowerGen for Southern Electric and Midlands Electricity were blocked last week by Mr Ian Lang, trade and industry secretary, despite a recommendation by the MMC that they should be allowed to proceed.

"I'm irritated by the MMC's conclusions on the electricity mergers," Mr Kinnersley said. "They found the mergers were against the public interest but still said they could go through with some sort of fiddle on the regulatory side."

He said he had written to Mr Lang congratulating him for rejecting the MMC's conclusion and offering his resignation. He had also written to Mr Graeme Odgers, the MMC chairman, and to The Economist magazine.

"I wrote to The Economist to say my resignation was not important but that I am not the only member as fed up as this at the way they are carrying on and if other members of the MMC resigned as well it would be helpful."

Last month government lawyers won an injunction against The Economist and a journalist with the magazine, preventing further publication of information from a commission report on electricity bids. Mr Kinnersley said there was general dissatisfaction at the way the commission operated. "There are 30 main members of the commission and they only used five on the electricity bids and one of those dissented. So the conclusions were reached by four out of 30 members. I wonder if that's right."

As former head of the National Water Council and adviser to a senior minister on water privatisation in the 1980s, Mr Kinnersley said he was "a reasonably well informed observer". Yet in his five years as a member of the commission's seven-strong water panel he had not been asked to work on anything, he said.

Only three water panel members had been used so far and when they were engaged in an inquiry they went into "purdah" and other members were told nothing. When reports were finally published they were full of blanks caused by the DTI removing confidential business information. That made it very difficult to follow through the reasoning, he said.

"So I'm an artificial device in the regulatory process and pretty dissatisfied with the way things are working. And when they appoint you and give you nothing to do. Resigning is one way you can show your dissatisfaction."

Decision on generators, Page 15

Business award goes to queen of theatreland

By Michael Thompson-Noel in London

Mrs Janet Holmes à Court, the queen of London's theatreland, was yesterday named Britain's Businesswoman of the Year for revitalising Stoll Moss Theatres, of which she is chairman.

Stoll Moss runs 10 London theatres, and was one of the companies Mrs Holmes à Court, 52, an Australian, inherited in 1990 on the death of her husband, Robert.

However, the judges of the Veuve Clicquot award – which is said to celebrate "acumen, dynamism, enterprise, style, struggle and charisma" among women of achievement – said that Heytesbury Holdings, Mrs Holmes à Court's Australian-based holding company, now "combines both inherited and acquired parts, and is very much her creation".

They were particularly impressed by Mrs Holmes à Court's £11m worth of investment in Stoll Moss. "In the last five years," said the judges, "Stoll Moss has been transformed into an efficient, people-orientated concern to become the largest, most profitable theatre-owning company in London." Mrs Holmes à Court hopes to spend another £8m refurbishing her London theatres over the next five years.

In Australia, where she is a member of the board of the Reserve Bank, Mrs Holmes à Court's Heytesbury empire includes cattle farms and racehorses, a winery and restaurant, a trucking business, and John Holland, one of Australia's biggest construction and engineering groups.

Asked about her business style Mrs Holmes à Court said: "Teamwork is what matters... In Britain management is too often hierarchical – a product, one supposes, of the British class system."

Janet Holmes à Court, rewarded for her business acumen

Nadir may return to face trial

By John Mason and Jim Kelly

The voice of Mr Asil Nadir, the former chairman of Polly Peck, spoke out yesterday to promise that he would return to the UK to face trial on fraud charges if the Conservative party lost power at the next general election.

His surprise announcement, relayed by telephone from northern Cyprus, was made at the London press launch of a book written by Mrs Elizabeth Forsyth. She is the former aide to Mr Nadir who was jailed in Britain last week for laundering £395,000 ($596,500) stolen from Polly Peck.

Mr Nadir was standing in for Mrs Forsyth who was unable to attend the launch "for obvious reasons", the book's publishers explained.

Mr Nadir, who has remained in northern Cyprus since fleeing the UK in May 1993, said he would "certainly" return to face charges of theft and false accounting if the Conservative government is voted out of office. "This government isn't able to come to terms with truth," he said. "I am hoping a new government with clean hands will not find it so difficult, and less embarrassing, to tackle the matter properly."

Mr Nadir, who once made substantial donations to Conservative party funds, repeated his long-standing allegations of misconduct by the British legal establishment which, he claimed, had denied him a fair trial.

Burger chain ends its ban on British beef

By Diane Summers, Marketing Correspondent

Wimpy, the chain of franchised burger restaurants, has lifted its ban on the use of British beef because it believes consumer confidence is returning. It said posters proclaiming "British Beef is Back" were due to go up today in Wimpy's 272 restaurants.

Mr Max Woolfenden, Wimpy's managing director, said that, as a British company, "we are delighted to announce our move back into British beef; we have seen a great improvement in customer confidence."

Recent government action against BSE and the company's own additional control and safety procedures throughout the whole production process had given Wimpy confidence to move back into British beef, said Mr Woolfenden.

There was no sign yesterday of other burger chains, which also switched to imported beef, following Wimpy's lead. McDonald's, with 660 outlets, said customers were still expressing considerable uncertainty about British beef, and a move back to its use "would be premature".

Burger King, owned by Grand Metropolitan, the UK food and drinks group, said it was continuing "for the time being" to source beef for its nearly 400 restaurants from outside Britain. Its decision was "based on customers voting with their feet," it said.

McDonald's and Burger King said they were using independent researchers to test public opinion, while Wimpy said it had been influenced chiefly by calls from customers and feedback from franchisees, some of whom had issued questionnaires to customers.

The chains stopped using British beef shortly after the "mad cow" crisis broke in March and burger sales slumped. Both McDonald's and Burger King said they looked forward to resuming the purchase of British beef when it was felt consumer confidence had recovered.

At the time the ban was announced by the chains, two Conservative MPs, Sir James Spicer and Mr Ian Bruce, accused the companies of damaging the UK farming industry.

Big slaughter programme opens amid confusion

Chaos reigned on the first day of the British government's programme for destroying cattle over the age of 30 months, Deborah Hargreaves writes. "It's a bit of a pig's muddle," said Mr David Lock at Premier Livestock Auctions, which runs cattle markets in three towns in south-west England. "We've received no notification about which days to take animals or how many."

The government has organised slaughter schemes to try to restore confidence to the beef market. The Intervention Board, a state agency, has licensed 105 auction markets to act as collecting points for cattle and 44 abattoirs to slaughter them. Farmers have built up a backlog of an estimated 250,000 animals which they are vying to kill first. "We don't want queues of lorries waiting outside abattoirs for hours, but every farmer is phoning up to get in first," said Mr Hugh Black, a dairy farmer from western England. "All these animals cost money to feed, and farmers are now running out of hay and silage," said Mr Martin Burtt, a livestock farmer from North Yorkshire.

Pave your lawns and save water, consumers are told

By Leyla Boulton, Environment Correspondent

A leaflet issued yesterday by the Severn Trent Water company in central England suggested that customers pave their lawns to avoid using water on them. It was the latest gaffe by a former state industry notorious for own goals. Last year Yorkshire Water in northern England was ridiculed for suggesting that its customers should wash less often or move to another area.

The industry has been struggling to repair its image following last summer's debacle over water shortages in much of England. The Gaffes feed into an increasingly frenetic public relations war among water companies in the grips of takeover fever. Severn Trent is one of a number of bigger companies, promising superior management skills and big cost savings for customers, which are trying to take over rivals weakened by public outrage over poor service.

Having been dissuaded by Ofwat, the industry regulator, from targeting Yorkshire Water, Severn Trent is now vying with Wessex Water to take over South West Water.

The government, which must vet such mergers, is believed likely to designate Wessex Water the approved predator for South West Water. But yesterday's embarassing leaflet from Severn Trent can only enhance Wessex Water's position in the public relations war.

Regional rainfall patterns and geographical conditions play a large part in determining which companies suffer from shortages. But that is not deterring Wessex Water, with relatively plentiful supplies, from exploiting its brethren's troubles.

Wessex Water, which did not have to impose hosepipe bans last summer and is unlikely to do so this year, has promised to pay compensation to any of its customers in the unlikely event of one. This in turn has prompted one South West Water executive to point out that "you can promise the world in compensation as long as you don't have to pay it".

At the other end of the spectrum of remarkable ideas, one of Britain's smallest water companies, Folkestone and Dover Water Services, is negotiating to pipe water into France via the Channel Tunnel.

But this has potential political repercussions at a time when its French parent, Compagnie Générale des Eaux, has joined forces with Saur, another big French water company, which owns South East Water in England, to target the nearby Mid-Kent Holdings. Mr Geoff Baldwin, chief executive of Mid-Kent, argues that the real aim of the takeover plan, which is held up by a legal dispute, was to siphon off water supplies to his two French-owned neighbours.

Beneath the more hilarious aspects of water policy is genuine concern that too little is being done to balance growing demand for water with environmental constraints on the amount of water available. There is also a need to determine the level of service that can be offered by privatised companies covered by restraints on charges.

UK NEWS DIGEST

Further action by US regulators

LLOYD'S LLOYD'S OF LONDON

The US legal problems faced by Lloyd's of London worsened yesterday when two more states took action against the insurance market, posing fresh obstacles to its recovery plans. The moves by securities regulators in Utah and Tennessee threatened to stretch further Lloyd's resources at a time when it is seeking to win the agreement of Names in the US and elsewhere for an out-of-court settlement of legal action. Names are individuals whose assets have traditionally supported Lloyd's.

Mr David Rowland, the insurance market's chairman, is expected to write to Names shortly outlining significant improvements in the recovery plan, of which the out-of-court settlement is part.

In the US, Lloyd's renewed earlier this week a "standstill" agreement with nine states. Mr Peter Lane, north American managing director, said the new moves were "unfortunate". Lloyd's also faces legal action in California which could threaten $10bn held to support US underwriting. The securities regulators allege that investment in Lloyd's was mis-sold. Mr Lane said proceeding with the recovery plan without US Names, not all of whom are supporting the litigation, would be "unfair" and was not an option.

Ralph Atkins, Insurance Correspondent

N Ireland police title challenged

The name of the Royal Ulster Constabulary should be changed to make it more acceptable to the nationalist community in Northern Ireland, a member of the opposition Labour party urged. The call by leftwinger Mr Jeremy Corbyn came in the House of Commons just 24 hours after a British minister responsible for Northern Ireland, Sir John Wheeler, had annoyed nationalists by likening a name change to the dismantling of the United Kingdom.

Sir John, speaking as the government launched a policy paper on police reform in Northern Ireland, had rejected calls to change the RUC's name. He said he was "not in the business of dismantling the UK by the back door". Challenging Sir John on the issue Mr Corbyn stressed there was a great difference in confidence between the way the RUC was viewed by the nationalist community and the loyalist community.

PA News

Philip Stephens, Page 12

Oil-tanker conversion contract

Harland and Wolff, the Belfast-based ship builder, has won a multi-million pound contract to convert a new oil tanker into a floating production, storage and off-loading vessel for the North Sea, it was announced yesterday.

Tha deal with the Dutch-based offshore contractor Bluewater Engineering Company, which is believed to be worth £10m ($15.1m) and could mean about 100 new jobs. The 105,000-tonne Glas Dowr was built in Japan. Conversion work, is expected to be finished by October.

PA News

Football fan attacks lawyer

The football fan who was the target of a Kung-Fu-style kick by French Leeds United player, Eric Cantona, during a match between Leeds and Crystal Palace was jailed for seven days for contempt of court yesterday after physically attacking a lawyer. The attack came as Crystal Palace fan Mr Matthew Simmons (left) appeared for sentencing on two charges of using threatening words and behaviour during the incident in January. Magistrates had just ruled that he was guilty of two charges of using threatening words and behaviour when he launched the attack. In addition to a fine, the magistrates also made an order excluding him from all football matches for a period of 12 months. During the hearing the prosecution told the magistrates that Cantona was provoked into launching his infamous kick after Mr Simmons taunted him with foul and abusive language. The double glazing fitter had hurled a stream of abuse at the French star.

PA News

Plan to lift savings launched

The opposition Labour party intends to launch a new tax-advantaged scheme designed to encourage individuals into medium and long-term savings in a plan which could transform the UK savings industry. The scheme, which would offer tax advantages to those opening an Individual Savings Account, is intended to build on products such as Personal Equity Plans which encourage savings for up to five years duration. Mr Alistair Darling MP, Labour's spokesman on City affairs, said that the lack of incentives may be hindering tha growth of private savings to cover the costs of illness and old age.

Norma Cohen, Glasgow

Charity donations 'unaffected'

THE NATIONAL LOTTERY

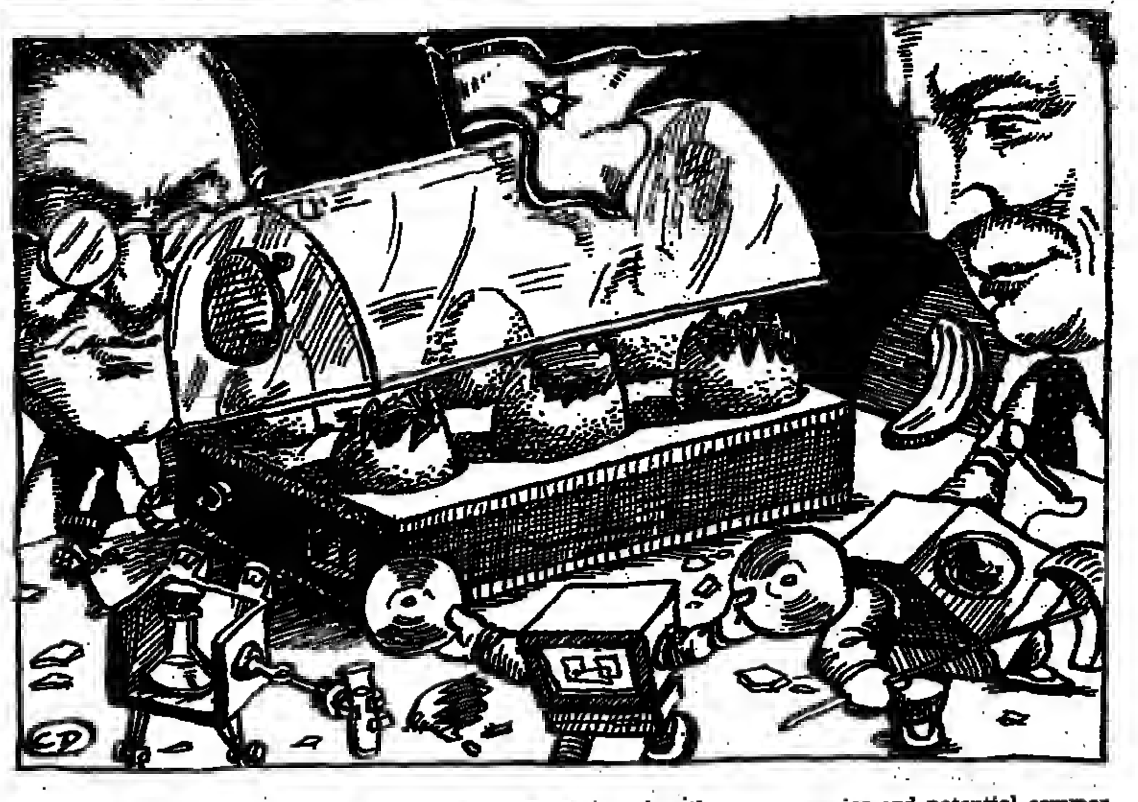
Charitable donations last year remained unchanged from 1994, in spite of the advent of the National Lottery, figures released yesterday show. According to findings from the latest Family Expenditure Survey, collected by the Office for National Statistics, average weekly household spending on charitable giving last year remained unchanged from the 1994 figure of £1.30. However, spending on the lottery itself averaged £3.80 ($5.70) a week in 1995. The data provided support for the government's contention thet the lottery has not harmed charities.

Mark Suzman, Social Affairs Correspondent

MANAGEMENT

The development of a venture capital industry lies behind the economic success of a new breed of high-tech Israeli company, says **Richard Gourlay**

Peace potential



Israel's conflict on its northern border in the past month has done what conflict in the region always tends to do – grab the headlines.

But, untroubled by the recent conflict, one section of the Israeli economy has been developing at breakneck speed and is ready to capitalise on the peace dividend promised by a wide regional truce.

After five years in which GDP has grown by 40 per cent in real terms, Israel is emerging as a creator of high-technology businesses out of all proportion to the size of its population or its domestic market.

Many venture capitalists who were around at the birth of Silicon Valley 15 years ago say Israel has become the most exciting focus of new high-technology companies outside California and Boston's Route 128.

Behind this success lies the development of a US-style venture capital industry that did not exist five years ago before the government intervened. In what Ed Mlavsky, a veteran high-tech investor in Israel, describes as "an incredible experiment", the government has helped to create a venture capital industry that is already larger in relative terms than its counterpart in Europe.

The older Israeli high-tech businesses were built mainly as a result of investment by large local holding companies such as Elron and Clal. But a new breed of young companies financed by venture capitalists is emerging.

Some 75 high-tech Israeli companies have now floated on Nasdaq, the US market for fast-growing companies, many of them venture capital backed. By comparison only 25 European technology companies have floated on Nasdaq, although the comparison is imperfect because Europe has its own markets where high-tech companies can list.

Israeli companies are also beginning to be snapped up by international companies. Lannet Data Communications, a networking subsidiary of the Rad Group, was bought last June by UK-based Madge Networks for $300m (£198.6m). Nice Systems sold Nice-Com, its networking company, to 3Com of the US last year for $53m. And Ubique, an Internet navigator, was sold to America Online, the Internet access company.

While the driving force has been private endeavour, the government has played a crucial role. Its most direct intervention was to finance a chain of "business incubators". They were designed to support young technology entrepreneurs, most of whom had moved to Israel after the disintegration of the Soviet Union in 1989.

Rina Pridor, director of the incubator programme within the Ministry of Industry and Trade, says a disproportionate number of these immigrants were scientists and engineers and needed to be found fruitful work.

"There were stories of professors sweeping streets," she says. "We realised there was a weak link. If you have an immature idea, you have almost no chance to prove it because it is too risky for commercial money [to be invested]."

The government's least direct, but most important, role as high-tech midwife has been its R&D budget

Pridor now has a budget of $30m a year for projects such as that set up by Garri Passi three years ago. Passi is typical of the technology entrepreneurs in the incubators. After completing his PhD in non-destructive testing at Moscow's Nuclear Power Institute, Passi worked in a lab testing materials for the military and some small contractors. Then the Soviet Union broke up and Passi became one of about 620,000 Jews who have emigrated to Israel in the past five years. Six months after arriving, he set up Solotron in the Nitzanim incubator at Nahel-Soreq to develop an ultrasonic inspection system for welded metals.

Pridor says a high proportion of companies such as Solotron have been "successful" in the sense that they have attracted commercial venture capital. Solotron raised £1m investment and is now distributing throughout Europe.

Some 230 of the 400 projects remain in the incubators, Pridor says. Of the 180 to have emerged, 60 per cent have continued to function. About 40 have attracted venture capitalists to invest amounts ranging from a modest $100,000 to $4.5m.

The government took a more indirect role in nurturing high-tech companies three years ago when it decided to stimulate the development of a venture capital industry. A handful of funds, such as the $25m Athena fund, had existed as early as 1985, a few years after the venture capital industry started to emerge in Europe. But the industry only took off after the government set up Yozma Venture Capital in 1993 to act as a catalyst.

With a budget of $100m Yozma has invested in nine local funds alongside foreign venture capital investors. This raised $200m and brought in foreign investors such as Walden of the US, Kyocera of Japan, TVM of Germany and Advent of the US.

Private venture capital funds and some quoted funds followed, raising another $300m. Another group of diversified private funds have raised a further $550m, a third of which has been invested in technology companies, according to Giza Group, an Israeli investment banking firm.

"Yozma was an incredible experiment," says Mlavsky, who is president of Gemini Capital Fund Management and former director of the "Bird" Foundation which has helped joint ventures between US and Israeli companies invest more than $200m in technology-based companies. "A government-owned venture capital fund acted as a catalyst to attract foreign funds. It got the industry started," Mlavsky says.

Giza's general manager, Ezer Soref, estimates that half this $1bn of funds has already been invested in start-up and early-stage companies. This means Israel in the last three years has invested about the same amount of venture capital in young companies as Germany, the UK and France combined.

Yigal Erlich, president of Yozma, says the test of whether Yozma has fostered a robust venture capital market will come when the funds go out to raise new funds. But Yozma's task is complete.

"There was a market failure and our government stepped in," says Erlich. Yozma is now about to auction its direct co-investments in 14 companies. And its co-investment partners in the nine Yozma funds are to exercise buy-out options that will allow them to repay the government on favourable terms.

The government's least direct but most important role as high-tech midwife has been its research and development budget which is one of the highest in per capita terms in the world. The government, through the Office of the Chief Scientist, has an annual $500m budget which it uses to pay up to half a company's R&D costs for projects likely to lead to exports.

As important is the role of the Israeli Defence Force. Israel is littered with companies trying to commercialise technologies developed for the military or exploited by it. And the country has a generation of graduates who have tinkered with state-of-the-art technology in the army while doing national service after their university degrees.

Take Meir Burstin and Gabi Ilan who founded Advanced Recognition Technologies (Art), a Tel Aviv company that has developed voice and handwriting recognition software. This is being incorporated into personal digital assistants and motherboards that turn PCs into soft telephones. Both worked for Tadiran, the country's largest technology company. But they also both worked in army communications intelligence with algorithms they have since modified for their recognition software.

Variants of the Art story are evident throughout Israel. Isl, a company in the Weizmann Science Park in Rehovot, is developing an environmentally-friendly refrigeration system using heat exchange techniques to cool the electro-optical systems of night sights. Eldat, a company backed by Mofet Israel Technology Fund that is developing electronic labels with LCD displays, is adapting a technology the air force used in electronic warfare.

These three government actions have produced a profusion of new companies and potential commercial technologies. But the venture capital industry and young technology companies face some problems.

The venture funds will soon have to begin fundraising – this time without Yozma's help. While many have already sold companies, either on Nasdaq or to larger companies, many funds will not yet be able to demonstrate the investment returns that new institutional investors will want to see.

Also, under current tax laws investing institutions now risk significant withholding tax problems if they invest in Israeli funds, an issue the Ministry of Finance must address, venture capitalists say.

Nor will government spending on R&D necessarily remain at current levels and the military budget is already falling. Aside from national security questions, the chronic budget deficit is one of the big issues that will need to be addressed after next month's election.

Many of the venture funds are very small. Some are accused of floating their companies on public markets when they are too young. As a result, Mlavsky says the young Israeli venture capital industry is "blundering around a bit".

But US venture capitalists are optimistic that these are teething problems. The rapid growth of the industry will, as in all maturing industries, lead to consolidation so that fewer larger venture funds will be able to provide more funds to create bigger companies.

The trickle of Israeli companies coming to public markets has turned into a steady stream. There would appear to be more to come.

The nurturing business

Jacob Karin's company, Medco Electronic Systems, has just emerged from the protective warmth of the Nitzanim "business incubator" and is taking its first tentative commercial steps.

Founded on work carried out during a PhD at the Centre for Medical Physics, Medco makes a non-invasive foetal heartbeat monitor which provides more information about the nervous system than the conventional heart rate monitors.

Like other entrepreneurs who have started embryonic businesses in Israel's incubators, Karin is unstinting in his praise for the approach.

"As a person not from a business background the incubator gives you all you need for your business and there are advantages from the connections with the government," says Karin.

Those connections begin with the subsidy, now standing at $30m (£19.8m) a year for 27 incubators. Entrepreneurs first offer their ideas for appraisal by a volunteer committee of industrialists, researchers and officials at the incubator and ultimately to a committee within the Office of the Chief Scientist.

If the project clears these hurdles its management of three or four people will receive up to $150,000 a year in total for two years or up to 85 per cent of the costs of the project. In Karin's case, the incubator stumped up not only the remaining 15 per cent, in return for equity, but provided a bridging loan at a later stage.

"The incubator should provide all the tools – money, logistical help, professional help – to bring an entrepreneur from the stage where the business is not attractive to commercial money to a situation where it is," says Rina Pridor, director of the incubator programme.

The types of business are many and varied. One inventor, an octogenarian émigré from Russia who spoke neither Hebrew nor English, developed a way of purifying silicon wafers on which computer chips are placed. His company, Sitsarri Materials Purification, subsequently raised $4.5m from venture capitalists to develop the process.

Another entrepreneur completed a doctorate at the Weizmann Institute and developed a way of delivering drugs to specific sites within the body. Di-Pharm has now raised $2m of equity.

It is too early to tell whether the incubators will nurture viable businesses and by extension whether they represent good value to the taxpayer.

But in the meantime they are providing researchers with an invaluable base for commercial development and venture capitalists with a plethora of potential deals. As Eliezer Manor, a director of Mofet, the venture capital group, says: "Incubators are very good ways of encouraging the very early stages of entrepreneurship – in fact there is no other way."

RG

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.16	9.28	9.28
0100	9.02	9.20	9.20
0130	12.01	9.32	9.32
0200	12.18	25.86	27.57
0230	12.16	40.17	41.89
0300	12.18	40.17	41.89
0330	12.18	40.17	41.89
0400	12.18	25.86	27.57
0430	12.18	24.38	26.10
0500	12.18	23.28	24.99
0530	13.45	22.62	24.34
0600	12.39	22.62	24.34
0630	12.39	22.62	24.34
0700	16.97	22.62	24.34
0730	17.51	22.62	24.34
0800	26.78	22.62	24.34
0830	28.90	24.68	26.39
0900	29.04	26.58	28.30
0930	29.05	26.58	28.30
1000	29.01	26.58	28.30
1030	28.25	26.58	28.30
1100	26.49	26.58	28.30
1130	27.58	26.58	28.30
1200	27.44	26.58	28.30
1230	27.28	26.58	28.30
1300	27.09	24.68	26.39
1330	26.84	24.52	26.23
1400	22.92	21.58	23.30
1430	22.88	22.08	23.78
1500	21.73	21.58	23.30
1530	21.72	21.58	23.30
1600	21.72	21.58	23.30
1630	25.96	21.58	23.30
1700	30.11	21.58	23.30
1730	30.11	21.58	23.30
1800	30.09	25.00	26.72
1830	21.71	25.00	26.72
1900	25.96	25.00	26.72
1930	23.96	24.95	26.66
2000	21.70	31.44	33.16
2030	9.15	29.60	31.32
2100	21.70	40.23	41.95
2130	22.69	40.23	41.95
2200	32.69	40.23	41.95
2230	21.70	29.60	31.32
2300	17.13	20.97	22.68
2330	16.62	15.46	17.16
2400	9.03	9.30	9.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6798 between 8.30am and 5.00pm Monday to Friday.
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THE PROPERTY MARKET

Distress call from France

Unwanted assets are up for grabs, says **Simon London**

Vultures circling over the French property market are finally getting a taste of red meat. Crédit Foncier this week became the latest in a line of French financial institutions to take a large writedown against its property assets. Experience suggests that disposals will follow.

The vultures – mainly US investors, although many have European partners – hope to grow fat by picking over the unwanted assets of institutions such as Crédit Foncier.

A few deals have already been struck. In December, Barclays Bank sold the bulk of its French property loan book to a US consortium including Lehman Brothers, the investment bank, Cargill, the financial and commodities group, and LaSalle Partners, the property management company.

Earlier this year Groupe Suez sold a similar portfolio of distressed property loans to a consortium led by the Whitehall Fund, an investment fund run by Goldman Sachs, the US investment bank. Other US investment banks, including Morgan Stanley, are working hard to find similar deals.

The market in distressed loans is potentially huge. *Analysts estimate that French banks and insurers are sitting on $40bn (£27bn) to $60bn of non-performing loans.*

UAP, the insurance group, is the latest French institution to market a portfolio of distressed property assets. Others are likely to follow.

It is no surprise that US investors dominate the list of potential buyers. Many of them made handsome gains in the early 1990s in the aftermath of the collapse of US real estate values.

This experience taught them how to value complex loan portfolios and demonstrated the remarkable gains which can be made from distressed debt.

"The returns on equity on the early [US] deals were more than 50 per cent, even *before* leverage was applied. In the early stages of this kind of market the returns can be staggering," commented one US investor.

The deals now being done in France certainly look familiar to US eyes in terms of structure.

Banks are selling portfolios of doubtful loans, secured on individual properties, at a discount to face value. The discount is usually between 30 per cent and 60 per cent of face value, depending on the quality of the assets.

Investors analyse the portfolio loan by loan and decide whether they can make a profit by either striking deals with borrowers or exercising their security and taking possession of the *underlying property*.

This requires a careful marriage of financial, legal and property expertise.

The Whitehall Fund consortium includes Vines, a *private* property company run by Mr Martin Myers (who is also *chief executive of Imry, the* property company owned by Barclays), and Mr Miles D'Arcy Irvine, a *property investor* with many years experience in the French market.

However, there are some crucial differences between the US and French property markets, which mean that investment returns could be significantly lower.

"There is a danger that people will go gung-ho into the market and pay too much. We've looked at deals but competition for them is intense," commented a banker with a European investment bank.

First, French financial institutions are generally under less pressure to sell than their US counterparts.

The Resolution Trust Corporation, the US government-backed body which cleared up after failed savings and loans institutions, was under a legal obligation to sell. Private sector banks faced intense pressure from shareholders.

French banks and insurance *companies, in contrast,* are able to take a more relaxed attitude. Many have already set up ringfenced vehicles to deal with problem loans and are only likely to sell if the price is attractive.

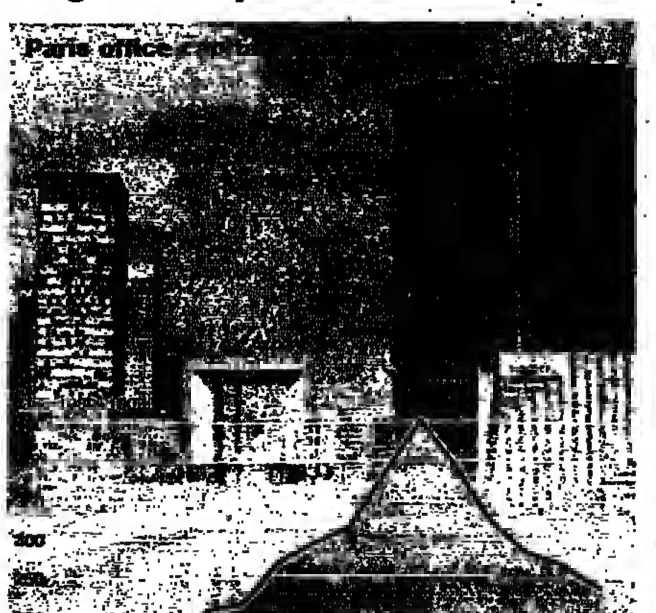
Against this background, the French distressed loan market is unlikely to balloon in the way that its US counterpart did in the early part of the decade.

Second, the French legal system is much less favourable to lenders than Anglo-Saxon law. Taking possession of properties granted as security on loans in default is far from easy.

Buyers of distressed debt are more likely to prosper by striking deals with borrowers, rescheduling loans and exchanging some of their debt for equity participations in the underlying properties.

Third, the French property market overall looks less well placed for recovery than the US market did a few years ago.

Many of the investors who bought distressed loans from the RTC caught the upswing in the US property market, helped by very low interest rates which were used to help recapitalise the financial system.



France, meanwhile, is still struggling with relatively high interest rates courtesy of its link to the D-Mark in the European exchange rate mechanism.

Neither does the French economy have a record of dynamic job creation which has helped fuel the recovery in US real estate.

"It is a completely different situation to the US. Property in France has had a steep decline and is probably now at the bottom of the cycle. But if it stays at the bottom for five years you could end up making a lousy investment," says Mr John Carrafiel, head of European Real Estate at Morgan Stanley.

If investors can avoid paying too much, though, it should be possible to make reasonable investment returns from French distressed property loans.

Buying large portfolios at a discount and breaking them up – *buying wholesale and selling retail* – is generally a profitable investment strategy.

After a small dip last year, French property values have probably reached their nadir. Although the upswing promises to be steady rather than spectacular, investors are also buying close to the bottom of the market.

Moreover, the French property market as a whole should benefit as domestic financial institutions write-down assets to realistic levels.

The frozen market of the last two years, when very little property changed hands for fear of crystalising losses, was damaging in itself. The introduction of new capital – even if it looks like vulture capital – must surely be an encouraging sign.

Steven Pacey and Malcolm Sinclair in the new Lloyd Webber/Ayckbourn collaboration

'By Jeeves' is back

Ian Shuttleworth reports from the new Stephen Joseph Theatre

Forty years after Stephen Joseph set the project in motion, the theatre in the round which bears his name has now moved into an impressive permanent home in Scarborough. The town's former Odeon cinema has been converted into a twin theatre/cinema/restaurant complex, with its original Art Deco design being preserved and restored as far as possible – even the carpeting has been rewoven to the original 1930s pattern. Artistic director Alan Ayckbourn, having personally donated £400,000 towards the conversion, has chosen to open the main 400-seat auditorium with an uncannily modest musical.

The original 1975 incarnation of *Jeeves* had a great deal to be modest about. Its West End run closed within a month, and it remains Andrew Lloyd Webber's only flop. It is understandable that Sir Andrew should want to remove this blot on his copybook; but that this 1996 version – with an entirely new book by Ayckbourn, only three of the original songs remaining and an added preposition in the title – works on its own terms is due almost entirely to Mr A's vigorous work in limiting what those terms should be.

Never have I seen a show that takes such consistent pains to play down any great expectations; *By Jeeves* is absolutely determined that it should be seen as no more than a bit of fluff, a "diversionary entertainment". Ayckbourn has framed the main story in a ramshackle church hall concert, as an anecdote told to Bertie Wooster while he awaits the arrival of a banjo for his scheduled recital. Thus the playwright has access to the comic potential of supposedly *ad hoc* props, costumes and performers, and is enabled to let Bertie and Jeeves argue about the telling of the story. Even Jeeves' final *coup* to resolve matters comes in the form of a staging gag.

Likewise, many of the musical numbers are either punctuated by asides from Bertie, or completely halted several times by unfolding events. This may or may not have been Lloyd Webber's original vision, but it is a playful, knowing piece of work, and if Ayckbourn occasionally nods (would Bertie Wooster really be bright enough to remark, as matters take a turn for the catastrophic, "This is getting like the fourth act of *Medea*, Jeeves"?), the atmosphere of cheerful tomfoolery renders such lapses forgiveable.

The tale itself is a country-house Jeeves and Wooster affair featuring almost all of Bertie's Drones Club chums and previous romantic entanglements, with only his fearsome aunts missing from the fray. Chaps assume each other's identities at breakneck speed, young popsies fall for the wrong chaps, the blustering Sir Watkyn Bassett grows fearfully bewildered and Jeeves saves the day by orchestrating Bertie's pretended burglary in a ridiculous mask – leading to the deliciously daft big suspense number "It's a Pig".

Lloyd Webber's score, arranged for a five piece band, is as modest as the show itself. Only a few of the tunes attempt a period feel, and during the main romantic duet, *Half a Moment*, a musical phrase from his earlier song *Memory* repeatedly pokes its head up like a startled meerkat.

The only noteworthy flaws in performance are from Diana Morrison, whose bat-squeaking Madeline Bassett is spot on though wearing, and Malcolm Sinclair, who ably captures Jeeves' manner as cartooned by Ayckbourn, but cannot quite find an appropriate voice for the great man. As Bertie, Steven Pacey makes an excellent amiable, good hearted chump, flashing cheerily inane grins at what he thinks are his good bits and generally winning over an already well disposed audience even further.

A note of caution, however: come the almost inevitable London transfer, nothing would kill the determinedly unassumed charm of *By Jeeves* as thoroughly as plonking it in a theatre of any appreciable size. It needs either a smallish venue or a Stephen Daldry-style customisation of the space, or it will simply flounder. In its Stephen Joseph home, the show's reception is best summed up in Ayckbourn's own verdict: "It's light, it's fun and it's silly."

At the Stephen Joseph theatre, Scarborough, until June 1. 01723 370541.

Music in London

Sounds international

The London International Orchestral Season at the Royal Festival Hall featured the Japan Philharmonic Symphony Orchestra last Thursday and the Sudwestfunk Symphony Orchestra from Baden Baden two evenings later. To its credit, the Japanese orchestra did not play safe with popular favourites, though it might have chosen a more stimulating piece than Takashi Yoshimatsu's *The Age of Birds*.

This three-movement suite was described in the programme as "an ode both to the creatures searching for new wings to lift them above the 'chaotic forest' of contemporary music and to the members of the orchestra". With its lush washes of string, static harmonies and chirruping arabesques, glittering with light percussion, it could hardly be said to rise above much, and aspired merely to the level of posh film music.

The single popular favourite in the concert had the worst performance. Rachmaninov's *Rhapsody on a Theme of Paganini* demands particularly close co-operation between the orchestra and the solo pianist, but Andrei Gavrilov rattled off his part with such percussive brittleness he might have been taking an air gun to dispatch any birds still flying about after the Yoshimatsu. There was little rapport between Gavrilov and the conductor, Jun'ichi Hirokami, though at least Hirokami seemed to be trying.

He got his chance, anyway, in Falla's *The Three-Cornered Hat*, and seized it enthusiastically. The orchestra responded with discipline and brilliance, and Akemi Sakamoto showed off her fine mezzo-soprano in her two brief solos. In the first of two encores, Hugo Alfven's Grieg-like *Elegy*, the strings showed off their perfect balance and phrasing, with a nice clarinet solo thrown in, and then the orchestra let rip in a syncopated movement from Kaoru Wada's *Folkloric Dance Suite*.

The Sudwestfunk Symphony Orchestra Baden-Baden with its conductor Michael Gielen is famous for tackling the most difficult and complex new scores, notably at the Donaueschingen Festival. But on Saturday it chose a solid classical programme, with the 30 year-old German, Christian Tetzlaff, as soloist in Brahms's Violin Concerto, followed by Schubert's Great C major Symphony.

Tetzlaff and Gielen were well matched in their approach to the Brahms, which was very straight. Tetzlaff's tone may not have been as sweet as that of some violinists, but his attack was exhilarating and his intonation perfect. He played with complete commitment, and though neither glamorous nor showy the audience appreciated him. As an encore he played the Gavotte from Bach's E major Partita, which would have pleased Brahms.

Gielen at one time was chief guest conductor of the BBC Symphony Orchestra, but he is still an underrated figure in London. He conducted the Schubert in the most restrained way, but there was no doubt that he had planned the performance in depth, and his choice of tempi was revelatory. The *Andante* introduction really moved, and eased into the *Allegro* without a noticeable change of gear. The switch to the faster coda was perfect. Madmen sometimes utter the truth, and at the end of the movement, a voice was raised from the back of the hall; it took a few seconds to realise he was expressing his appreciation, summing up with "Brilliant!"

The second movement was also ideal at a relatively brisk pace and accelerated into the climax thrillingly. After that, the Scherzo and Finale were plain sailing. A wonderful performance, which you might have thought made any encore impertinent. Yet the third Entr'acte from Schubert's music for *Rosamunde* was played with such exquisite tenderness and reticence, it seemed perfect.

Adrian Jack

Spotlight on Daniel

Until Paul Daniel takes up his position as musical director at English National Opera, everything he does will be under close scrutiny. His concert at the Barbican on Tuesday was a day's outing from Leeds for the English Northern Philharmonia, the title assumed by the orchestra of Opera North when giving concerts. By virtue of being music director of Opera North, Daniel also holds the title of principal conductor of its orchestra.

Daniel chose Mahler's First Symphony and by and large chose well. Once past an indulgent opening movement which could not resist slowing down to admire favourite moments here and there, the performance exerted a firm grip both on structure and detail. The English Northern Philharmonia may not be in a position to rival the London orchestras in the Mahlerian hierarchy, but it can still make a positive impression if it has been rehearsed to play as confidently as it did here.

That is the prime responsibility of a music director and Daniel will fulfil expectations if he manages to get the ENO orchestra to raise its game to the same degree. Admittedly, most of the rehearsal time had been spent on the symphony and a short premiere – Andrew Sallis's *Dancing for Cormorants* (imaginative orchestral timbres, less convincing in musical argument). The three operatic extracts sometimes found the players drifting.

The soloist was the bass John Tomlinson, a trusty friend of Opera North. Among his successes there have been Musorgsky's *Boris Godunov* and Verdi's *Don Carlos*, which were recalled with one solo apiece, though not without some effort, as the singer had to work hard to keep intonation and line under control. In Wotan's farewell from *Die Walküre* he sounded more comfortable, the voice flexible, the music felt as if from the inside. Daniel made a sympathetic accompanist. Who knows? – his tenure at ENO may well include the company's next *Ring* cycle.

Richard Fairman

Sponsored by the Friends of Opera North.

Tolstoy takes to the stage

In *Tolstoy*, a new biographical drama, writer James Goldman presents the writer and his wife Sonya during the strange final weeks of his life in 1910. Goldman is the author of such plays and movies as *The Lion in Winter*, *Nicholas and Alexandra*, *Robin and Marion*: robust Great Couples of History romps sprinkled with such lines as "The sky is pocked with stars".

There is no shortage of reasons to find fault with *Tolstoy*. It is intensely stagey, and yet it also seems to want to be a film; it is melodramatic and artificial; the staging, by the American director Jack Hofsiss, never quite gels and the play never seriously enters into Tolstoy himself. Finding merit in *Tolstoy* is an altogether harder affair. And yet I do.

It is oddly refreshing, for one thing, to follow the breakdown of a 48-year-old marriage that has produced 13 children. (At the time of the play, Tolstoy is 82, his Sonya 66.) For another, Goldman takes us with a fair degree of success into the anguished mind of Sonya. But, to enjoy *Tolstoy* best, one has to look over its shoulder to the superior play it almost becomes: a Strindbergian drama of matrimonial warfare, a bitter depiction of what happens when the artist forsakes the muse he married long ago, and a Romantic tragedy about a Christian artist torn between the flesh and the spirit.

The early decades of the Tolstoys' marriage produced not only 13 children but also *War and Peace* and *Anna Karenina*. Tolstoy and Sonya developed the habit of exchanging the private diaries in w[illegible]h their innermost [illegible] were secreted. The intelligent courtesy with which they pursue this practice is one of the most interesting aspects of this play.

By 1910, however, Tolstoy has developed his own form of Christianity, has become possessed by ambitions for chastity and for pursuing his philosophical writings – using, as his assistant, not Sonya but his devout admirer Vladimir Chertkov. Sonya, profoundly jealous of Chertkov, banishes him from her house. To Chertkov, the immortality of Tolstoy's every thought is more important than the Tolstoys' domestic contentment: and he persuades Tolstoy that Sonya's behaviour is so neurotic that both Tolstoy and her diaries must be removed from her before she destroys them. It is hard to respect Tolstoy's acquiescence here. To Sonya, this act proves a desecration of her marriage and she attempts suicide.

Tolstoy then leaves home. He is in quest of solitude, and even in hiding he feels her eyes pursuing him. Sure enough, she tracks him down. She is right outside the house in which he dies, symbiotically and correctly sensing the precise moment in which life leaves him.

The play has too many short scenes, too many narrators, too much slick rhetoric. And we never really enter Tolstoy's mind as we do Sonya's. F. Murray Abraham, the celebrated American actor, might be a good Tolstoy if only he had more of a role. His naturalistic acting is marred by too much self-conscious pained nobility. Gemma Jones's Sonya, by contrast, though more modest in tone, projects into the theatre much more carefully. Their styles are so dissimilar that it is impossible to believe that these people had been married for one year, let alone 48.

Nonetheless, Jones catches the essential tension of the era's femininity – both strong and delicate in feeling, both vulnerable and honoured in social position, dignified and tender in manner. Her Sonya has true pathos: a muse whose artist-husband forsakes her and yet whose being he cannot suppress.

Alastair Macaulay

Aldwych Theatre, London WC2.

Sponsorship/Antony Thorncroft

Granada puts its best foot forward

Granada has taken an important step into arts sponsorship by signing a £75,000 package of support for the Rambert Dance Company, one of the largest ever commitments to a contemporary dance troupe. Most of the money will go towards keeping seat prices low during Rambert's season at the Coliseum in London from July 9-13.

This will be Rambert's first London season for four years. Taking on the 2,000-seat Coliseum is a great challenge for a medium-sized dance company, but the Granada funding enables Rambert to offer all the seats in the house at under £20 and over half the house at less than £15.

Rambert is on something of a high at the moment under artistic director Christopher Bruce. It has increased its dance troupe from 16 to 25; secured a £1m-plus annual grant from the Arts Council; and is successfully touring the UK and abroad.

This is Granada's first major involvement in the arts. It has chosen a popular option – keeping ticket prices down so that a new and wider audience can enjoy the show is a fashionable issue, and has the support of Labour's shadow arts minister, Mark Fisher. Granada is planning to play a greater role in arts sponsorship on a case by case basis.

The future of the Grosvenor House Antiques Fair also seems assured. When Granada acquired the hotel group, Forte, earlier this year there were fears that it would eject the fair, not a significant profit earner, from the Great Room of the Grosvenor House where it has been a June fixture for over 60 years. Now Granada has committed itself to hosting the fair, the grandest occasion of the antique year.

★

In an imaginative sponsorship, Woodmansterne, a family firm which specialises in artistic greetings cards, has given £20,000 to be shared between five art galleries to help pay for the conservation of a painting at risk. The awards, selected after competition, range from £500 to £10,000, and the galleries receiving help are the Courtauld; Dulwich Picture Gallery; Holbourne Museum, Bath; Shakespeare Birthplace Trust; and the Smith Art Gallery, Stirling.

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Palestrina: by Pfitzner. Conducted by Christian Thielemann and performed by the Deutsche Oper Berlin. Soloists include Reinhard Hagen, Oskar Hillebrandt, Gerd Brenneis and René Kollo; 6pm; May 5
Komische Oper Tel: 49-30-202600
● Komische Oper: with conductor Thomas Kalb perform Mascagni's Cavalleria Rusticana and Leoncavallo's Pagliacci. Soloists include Slavkova, Oertel, Splewok and Neumann; 7pm; May 4

DRESDEN

DANCE
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Ballett Dresden: perform the choreographies Auf Suche by Stephan Thoss to music by J.S. Bach, Gras by Mats Ek to music by Rachmaninov, and Erde by Katarzyna Gdaniec to music by Shostakovich; 3.30pm; May 5

EDINBURGH

CONCERT
The Queen's Hall
Tel: 44-131-6683456
● The Edinburgh Symphony Orchestra: with conductor Alasdair Mitchell and leader Philip Taylor perform works by Gluck, Mozart and Bruckner; 7.30pm; May 4

GENOA

OPERA
Teatro Carlo Felice
Tel: 39-10-589329
● L'Italiana in Algeri: by Rossini. Conducted by Yoram David and performed by the Teatro Carlo Felice. Soloists include Sonia Ganassi, Ruggero Raimondi, Bruce Ford and Bruno Praticò; 3.30pm; May 5, 7

HELSINKI

OPERA
Opera House Tel: 358-0-403021
● Tosca: by Puccini. Conducted by Kari Tikka and performed by the Helsinki Opera. Soloists include Pirkko Törnqvist, Peter Lindroos and Esa Ruutunen; 7pm; May 4

LONDON

DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● The Royal Ballet: perform Frederick Ashton's Illuminations to music by Britten, Symphonic Variations to music by Franck and The Dream to music by Mendelssohn; 2pm & 7pm; May 4

EXHIBITION
Whitechapel Art Gallery
Tel: 44-171-5227888
● Jeff Wall: this exhibition presents 16 large illuminated transparencies by the Canadian artist. Each of Wall's works consists of a photographic transparency in a wall-mounted light box - creating an effect similar to that of a stained-glass window or a back-lit advertisement; to May 5
JAZZ & BLUES
Ronnie Scott's Tel: 44-171-4390747
● Tania Maria: with special guests the Anthony Kerr Quartet; 10.45pm & 1am; to May 5

LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● From the Land of the Thunder Dragon: Textile Arts of Bhutan: exhibition of more than 50 textiles, fine silverwork accessories, and appliquéd Buddhist images. The display explores the ways in which textiles are integrated into the life of the Bhutanese people, from royal gifts to currency. Highlights include textiles owned by Her Majesty, Ashi Sangay Choden Wangchuck, Queen of Bhutan; to May 5

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-1-4354240
● Contemporáneos Fondos de Collecion: exhibition of 21 paintings by contemporary Spanish artists from the museum's collection. Artists represented include Antoni Tàpies, Manolo Millares and Miquel Barceló; from May 6 to Jun 16
OPERA
Teatro de la Zarzuela
Tel: 34-1-5245400
● Falstaff: by Verdi. Conducted by Alberto Zedda and performed by the Teatro de la Zarzuela. Soloists include Bruno Praticò, Octavio Arévalo, Carlos Alvarez and Ilona Tokody; 8pm; May 4

NEW YORK

JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Maynerd Ferguson & Bebop Nouveau; 9pm & 11.30pm; from May 7 to May 12

PARIS

CONCERT
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Jean-Claude Pennetier, Régis Pasquier and Roland Pidoux: the pianist, violinist and cellist perform works by Chopin and Rachmaninov; 11am; May 5
DANCE
Théâtre de la Ville
Tel: 33-1 42 74 22 77
● Ballet Cullberg: perform the choreographies Pointless pastures and She was black by Mats Ek; 6.30pm; to May 4
EXHIBITION
Musée Picasso
Tel: 33-1 42 71 70 84
● Les carnets de dessins de Picasso: exhibition of 58 sketch-books by Picasso from the museum's collection; to May 6
OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Manon Lescaut: by Puccini. Conducted by Sebastian Lang-Lessing and performed by the Opéra National de Paris. Soloists include Miriam Gauci, Jean-Luc Chaignaud and Fabio Armiliato; 7.30pm; May 6, 10

STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Elektra: by R. Strauss. Conducted by S. Köhler and performed by the Royal Swedish Opera. Soloists include Gunilla Söderstrom, Laila Andersson, Anita Soldh and Ragnar Ulfung; 3pm; May 4

SYDNEY

DANCE
Drama Theatre, Opera Theatre, Playhouse Tel: 61-2-250-7127
● Momix Program 2 - Passion: a choreography by Moses Pendleton, performed by the Sydney Dance Company; 7.30pm; May 4, 5 (5pm), 6, 7

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Zoltán Kocsis: performance by the pianist, accompanied by soloists of the Budapest Festival Orchestra. The programme includes works by Webern, Kodály, Brahms, Bartók and Von Dohnányi; 7.30pm; May 6
OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Ariadne auf Naxos: by R. Strauss. Conducted by Horst Stein and performed by the Wiener Staatsoper. Soloists include Ann Murray, Edita Gruberova and Gabriela Benackova-Cap; 7.30pm; May 4
● Jerusalem: by Verdi. Conducted by Michael Halász and performed by the Wiener Staatsoper. Soloists include Eliane Coelho, Marjorie Vance, Keith Ikaia-Purdy and Ruben Broitman; 6pm; May 5, 6 (7pm)

WASHINGTON

CONCERT
Warner Theatre
Tel: 1-202-783-4000
● Ladies of Note: a benefit performance for the Whitman-Walker Clinic, featuring Judy Collins, Roberta Flack, Melissa Manchester and Maureen McGovern; 7.30pm; May 4

ZURICH

CONCERT
Opernhaus Zürich
Tel: 41-1-268 6666
● Alban Berg Quartet: perform works by Mozart and Rihm; 6pm; May 6
OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● Rigoletto: by Verdi. Conducted by Oleg Caetani and performed by the Oper Zürich. Soloists include Nadine Asher, Rolf Haunstein, Cheyna Davidson and Martin Zysset; 7.30pm; May 4

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Financial Times Business Tonight

CNBC:

09.00
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Best offer to IRA

The Republic has outgrown the obsession with partition and Dublin and Belfast might as well be a 1,000 miles apart

In Dublin, *optimism* mingles with quiet desperation. Even now the IRA's bombers may be attaching detonators to slabs of Semtex in some squalid London bedsit. Two weeks ago they failed in their murderous art. It seems there was a technical hitch. A massive bomb planted under *Hammersmith* Bridge somehow did *not* explode. Next time they are unlikely to make the same mistake.

Yet across the Irish sea John Bruton's government will not admit that the chance of peace in Northern Ireland has been lost. It *demands*, pleads for, one last push to bring Sinn Féin to the negotiating table. Gerry Adams must be given another chance to persuade his cronies in the IRA *to reinstate their ceasefire*. Forget the disintegration of the Conservative party. John Major could yet take his place in the history books as the prime minister who answered the Irish question.

Thus does the Dublin government view the approaching all-party negotiations designed to bring a permanent political settlement in Northern Ireland. The talks are to begin on June 10. Ten days before that, elections will be held for a new forum from which the various negotiating teams will be drawn. Sinn Féin is expected to win a sizeable slab of the nationalist vote. But Mr Adams, and on this Mr Bruton and Mr Major are entirely agreed, will be offered a seat at the table only if the IRA restores the ceasefire of August 1994.

In the unguarded words of one senior Irish official the talks will not be worth "a penny candle" if Sinn Féin is *not present*. So it is to this objective that the Irish government is now devoting all its efforts. Dublin's calculation is that the resumption of the IRA bombing campaign in London may not herald an irrevocable reverse for those in the *Republican* movement who are ready to swap the Armalite for the ballot box.

Despite a bar on ministerial *contacts, Irish officials are in daily contact with Mr Adams.* He tells them apparently that the game is not lost. But before the IRA's hard men can be persuaded, he adds, they must have assurances that the negotiations will be real, and without further conditions. They suspect that Ulster's unionists will hold a gun to *Mr Major's head by threatening* to desert him in the Commons. Above all, tha IRA must not be obliged to give up their arms in advance of a political agreement.

Dublin's reaction has been to press Mr Major to give the reassurances. Dick Spring, Mr Bruton's deputy, says that arms decommissioning, on which the last ceasefire foundered, should be treated in parallel with, but separately from, the three-stranded political negotiations.

Mr Spring wants General John de Chastelain, the co-author with Senator George *Mitchell* of an independent *international* investigation of the arms issue, to oversee the talks on decommissioning. Senator Mitchell might be brought in to chair the second strand of the political negotiations – that dealing with a *closer relationship* between north and south.

That would leave the first strand, an internal political settlement, for discussion among the province's parties.

> Ask Dublin politicians close up whether they really want to rule the mean streets of Belfast and Londonderry and they shudder in visible horror

The third strand, the relationship *between* London and *Dublin*, would be for settlement between the two governments. If Mr *Major* signed up to these arrangements, what further excuse could the terrorists have for not halting the violence? Even the dimmest Republican would surely realise that it would be self-defeating to forsake such an *opportunity*. As Mr Bruton intimated this week to a group of visiting British journalists, the IRA will never get a better offer.

Among Northern Ireland's unionists this is an approach *that provokes* revulsion and suspicion in equal measure. Revulsion at the thought that Sinn Féin might indeed succeed in bombing its way to the negotiating table. Suspicion *that talks* on these terms *would mark another* turn of the ratchet leading Ulster into a united Ireland.

You can understand why the unionists might think like that. It is hard not to feel distinctly qneasy at the thought *that an organisation which* has slaughtered so many innocents over so many years can get its way by planting a few more bombs in London. These people are not after all freedom fighters, denied access to the ballot box, left with violence as the *only* option in exercising the right of political expression.

It is obvious also that the British government has not been entirely candid about its dealings with the IRA. The *London government* opened clandestine contacts with Republican leaders when Margaret Thatcher was still in 10 Downing Street. Peter Brooke, the former Northern Ireland secretary, was addressing the IRA when he declared in 1990 *that* "The British government has no *selfish, strategic* or economic interest in Northern Ireland". Ever since, the twists, turns and contortions have been directed to that same end: to bring the terrorists in from the cold.

So it should be no surprise *to hear the unionist leader* David Trimble declare that *Dublin* is up to its old tricks in demanding more *concessions for the Republicans. In* unionist eyes, Mr *Major* has supped with the devil for too long. Mr Bruton's government is driven by the same ambition for Irish unity as each and every one of its predecessors. In its own way it is as Fenian as the IRA.

But this is where the unionists have *it wrong. Their view* of Dublin is as crudely outdated as the IRA's assessment of British intentions in Ulster. Of course, every Irish politician must still genuflect *before the altar of eventual* unity. But the Republic has outgrown the obsession with partition. Dublin and Belfast are 100 miles apart. It might as well be as 1,000.

The Republic is blossoming, culturally and economically. It is the *beneficiary of an* economic miracle which has seen growth averaging 5 per cent a year and inflation tamed. Active engagement in Europe has allowed the nation's political class to break out of the ghetto of Anglophobia. These people dsmand parity of esteem for their nationalist kin across the border. But ask them close up whether they really want to rnle the mean streets of Belfast and Londonderry and they shudder in visible horror.

Even if it could, Dublin would offer nothing to the nationalist minority in the north which deprived the unionists of a veto over constitutional change. The Republic wants peace *not* sovereignty. Thus, Mr Bruton acknowledges, Sinn Féin could never expect all-party talks to yield significantly more than that laid down in the Anglo-Irish framework document.

In short, the Union is safe. But *as long as* the IRA wages war it will not be *secure. To* be a pure and principled unionist is to slam the door once and for all on Mr Adams and his terrorist chums. To be self-interested might be to hold it ajar for another few weeks.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Achievements of Ukraine consultants hardly 'irrelevant'

From Mr Richard Ranken.

Sir, We can't deny that International Finance Corporation consultants working in Ukraine are young (as mentioned in your article of April 18, "Consultancy *blooms in Ukraine's sunnier* climate"). Their achievements, however, can hardly be labelled "irrelevant".

Witness the fact that the Ukraine team has assisted in the privatisation of 6,000 small enterprises, has made significant headway in the privatisation of large enterprises, and has recently designed and implemented the first working model for privatisation of collective farms.

Richard Ranken,
manager, Europe department,
International Finance Corporation,
1818 H Street NW,
Washington DC 20433,
US

Film is not for an elite

From Mr Douglas Finney.

Sir, I was *disappointed* by Nigel Andrews' review of *Richard III* (April 25). He seems to come from the "I preferred the book" school, whereas what we want to know is whether *the film is good, qua film*, and worth the price of a ticket. It is evident, and he appears unwillingly to admit, that a cracking good film has been prodnced, as confirmed by the reaction of my teenaged companions who are *clamouring* for the original text.

When one spends \$25m on a film it is no use appealing to *the elite to* guarantee a return on capital. A tightrope between intellectual integrity and populism has to be walked. With intelligence, energy and sheer acting Sir Ian McKellen has triumphantly risen to the *challenge*.

Incidentally, soliloquy on the stage is a time-honoured convention. On the screen it is absurd: transforming a soliloquy into a dialogue with the audience works very well and is by no means a gimmick.

Douglas Finney,
34 Bolingbroke Grove,
London SW11 6EJ, UK

Evidence suggests that Russia is not responding to 'shock therapy'

From Professor John Sharp and Mr John Thirkell.

Sir, Having just returned from visiting manufacturing plants in Russia, we would take issue with some of the *comments* of your editorial "A Sino-Russian exchange" and Professor Jeffrey Sachs' letter in your issue of April 24.

Our visit provided ample evidence that shock therapy has not worked. Most manufacturing companies were *clearly affected by* lack of working capital and uncertain and unstable tax regimes. Investment in new plant and technology is severely inhibited. Many *manufacturers, especially* in *the non-basic consumption* industries, are working at a fraction of capacity. Often they have not been able to pay their workers for months at a time.

Those plants working normally do seem to have slimmed their workforces somewhat. *Our impression is* that productivity levels were, prior to the reforms, lower than in western plants using comparable technology, but that this is no longer the case. The inefficiency is due to a lack of advanced technology, which would mainly be *imported from the west.*

Although there was a clear need to expand some service sectors, such as retail distribution, expansion of the financial services sector seems disproportionate. In our view, the real need was to expand *consumer goods industries at* the expense of heavy industry. In fact, Russian consumer goods industries have declined as a result of an upsurge in imports.

Among those we interviewed in manufacturing, Gennady Zyuganov, the Communist chief, is widely seen as *offering* Russia a chance to get back to work at pre-1992 levels. The easiest way of doing this is to revive those defence industries which have so far resisted conversion to non-military *production.*

In that context, the visit of Boris Yeltsin, the president, to China suggests that the west may, through a lack of interest in developing Russian consumer goods *manufacturing*, be encouraging Russian policy that is inimical to western interests.

John Sharp,
Canterbury Business School,
John Thirkell,
social policy,
University of Kent at Canterbury,
Canterbury, Kent, UK

Important share listing for Daimler-Benz

From Dr R.H. Ellenrieder.

Sir, Haig Simonian's article "British cars not up to the marque" (April 26/27) refers to the London Stock Exchange listing of Volkswagen as being "unique among German car makers". As a matter of fact, *the shares of Daimler-Benz AG, one of Europe's largest* industrial groups with Mercedes-Benz as its most important corporate unit, have been listed at the London Stock Exchange since December 1990.

So successful is this listing that the London trading volume in the Daimler-Benz shares, which, incidentally, are listed on a further eight stock exchanges around the world, continues to be the highest outside Germany. This emphasises the importance of London as one of the world's *financial centres and* Daimler-Benz's global orientation as regards capital markets and the internationalisation of its shareholder structure.

For Mercedes-Benz, the importance of the British market is reflected in *registrations* in 1995 of close to 33,000 passenger cars and more than 17,000 commercial vehicles. This makes Mercedes-Benz one of the leading quality car marques in the UK and the number one importer of commercial *vehicles.*

R.H. Ellenrieder,
managing director,
Daimler-Benz UK,
The Economist Building,
25 St James's Street,
London SW1A 1HA, UK

In, not out

From Mr Frank Blackaby.

Sir, Your editorial "Expanding Nato eastwards" (May 2), advocating the eastward expansion of Nato is wrong. There are two obvious rules for a good security structure in Europe now the cold war is over.

The first is that Russia should be in it, not outside *it*. The second *is that it should not create a new dividing line* in Europe.

Frank Blackaby,
9 Fentiman Road,
London SW8 1LD, UK

Pfizer forum
E U R O P E

Health Care Reform: The Challenge for Japan

BY ROBERT NEIMETH

Every developed country is struggling to control health care spending through a variety of regulatory approaches. The head of Pfizer's international businesses argues that, instead, fundamental changes in health care systems are needed to cope with medical advances and higher patient expectations; and that Japan may provide the new paradigm.

The end of the twentieth century coincides with the end of an era in health care. The day of the universal state-run health care systems - which date back to Bismarck's establishment of the German social insurance system - is drawing to a close. These systems were great social experiments - but in the age of rapid advances in health care technology, high demand for the new technologies, and worldwide fiscal constraints, they cannot be sustained without a level of rationing that is unacceptable to today's sophisticated, informed patient. Germany's sickness funds, America's Medicare and *Medicaid* programs, Canada's Medicare program - *all* are buckling under the inevitable fiscal strain of *offering a superior good-health care* - free or *almost free at point of service.*

Japan, too, is experiencing problems of this nature. To Japan's credit, its leaders have concluded that the only way to proceed is to undertake thorough, fundamental reforms. *I for one* believe Japan can devise an appropriate health care system for the twenty-first century - one that will "break the mold" rather than emulate the outmoded practices and principles that predominate elsewhere. But whether Japan will do so depends on which of two possible approaches Japan's policymakers choose.

Surveying the international scene, we see two potential *directions* for health care reform. One is a cost-driven model which *seeks to* impose decisions on the patients *from above*. Unfortunately, this has been a popular approach in the 1990s, as governments and private health care payors in the developed world *focus* on controlling spending.

A second direction, though, is toward a patient-driven model of health care, which gives patients both greater choices and greater responsibilities. In my view, this model should prevail - and probably will - because governments and private payors will find it difficult or impossible to deny patients access to first class medicine. A prime reason is the information technologies now available across the globe, which allow doctors and patients to learn of new treatments quickly, and to find out where they are available. And, through technologies such as telemedicine, world class medical therapy can now be delivered across borders.

When information, therapies and people can move freely, any attempt to ration health care is bound to fail. Unfortunately, such attempts continue, because governments fear higher health care spending, viewing it as a drain on their economies. This view is flawed. A distinguished Canadian physician, Dr. Arnold Aberman, noted recently that spending on computer technology has soared over the past decade - yet no one speaks of a computer crisis. This is because individuals - not governments - pay for their own computers. Spending on health care is regarded as a problem primarily because the spending comes out of the public purse or from third party payors, who regard innovation as a financial drain rather than a blessing.

Perhaps Japan can find a better way. A key may be to build on the distinctive strengths of the Japanese economy and the Japanese culture: long-term thinking, saving and investing, constant quality improvement. This brings us back to the analogy between the medical revolution and the computer revolution. In areas of technology other than health care, Japanese ingenuity and Japanese innovation have taken technologies once beyond the reach of ordinary people, and made them affordable and accessible to hundreds of *millions* around the globe. How many average persons do we see today with a mobile telephone, a laptop computer, or a home fax machine? Twenty years ago, it was inconceivable that these items would have been so widely available. A *similar* revolution can take place in health care. First, we *must stop thinking of health care as simply a drain on the public purse and begin thinking of it as a productive area of the economy.*

Second, we *must* use market forces to *make the health care system* better - not just *cheaper. In a recent Pfizer Forum, Paul Belien of the Centre for the New Europe* argued that greater market freedom in health care benefits patients *most of all*, because in free markets "consumers have a real say. As they demand, choose and pay for a service, the service better be good and reasonably priced." This is the kind of market in which many Japanese industries have succeeded brilliantly. Quality products, reasonably priced, are the very hallmark of Japan's successful competitive strategy in the global marketplace. Is it too much to suggest that Japan is ideally suited to devise a similar approach to health care?

We have seen the earliest reform proposals from the Japanese government. While some, like premium pricing for innovative drugs, are promising, others, like the "repricing" of innovative medicines which achieve higher sales than expected, the "flat sum fee" or capitated approach to reimbursement, and proposals to mandate generic pricing, suggest that old thinking holds sway. However, the Japanese government has been open to discussion and it is hoped that more creative approaches may prevail as reform proceeds.

The essential point for Japan, and all systems, is that patients must take greater responsibility for their own care, through cost-sharing of some kind. There are intriguing models to study, such as the Medical Savings Account, an idea originating in Singapore and present in experimental form in the U.S. Policy experts like Dr. Wilfried Prewo in Germany and Dr. Eamonn Butler in the U.K. suggest similar experimentation in Europe - with government assistance for those who need it. This policy would lead to a patient-driven model of health care, which would reward citizens for saving and investing in their own health care, and give them greater choice and responsibility. It is an approach particularly well-suited to Japan - where saving and investing for the future have been a long tradition.

The health care system of the next century should be one in which we see continual quality improvements coupled with lower total costs and more choices for consumers - exactly what we expect, and get, in every area of technology except health care. We have to change that - and we can. There are certain givens: in every system, the goal must be a healthcare system that is market-driven, empowers patients, requires consumers to share the cost of care, values quality of care above all else, and fosters the appropriate use of medicine. Perhaps Japan can be first to reach this goal - if it is willing to try. The rest of the world will be watching.

Robert Neimeth is Executive Vice President of Pfizer Inc. responsible for Pfizer's International Pharmaceuticals and worldwide Hospital Products and Animal Health Groups.

Europa · Aníbal Cavaco Silva

The numbers fail to add up

Emu should be based on sustainable stability, not strict compliance with the Maastricht criteria

Persistently high unemployment and weak growth have increased donbts over whether the European Union can proceed to economic and monetary union by January 1 1999, on the timetable set out in the Maastricht treaty.

The debate on the subject has concentrated on capping fiscal deficits at 3 per cent of gross domestic product and public debt at 60 per cent of GDP, the convergence criteria for membership of the single currency. Most member states are facing serious difficulties in meeting these criteria by 1997, the year to be used in assessing which coontries will join the monetary union.

Yet it would be politically and economically wrong to make the start of the single currency and the selection of eligible member states depend exclusively on strict compliance with the convergence criteria. Would it make any sense to postpone the start of monetary union just because Germany or France recorded a fiscal deficit of 3.2 per cent or 3.3 per cent of GDP in 1997?

The fiscal criteria were adopted because monetary union requires discipline in member states' pnblic finances to reduce inflationary pressures, encourage a fall in interest rates and foster stability in financial markets. However, a deficit in excess of 3 per cent of GDP or public debt above 60 per cent of GDP do not necessarily mean that there is indiscipline.

Tha appropriate level of a country's fiscal deficit depends on its economic situation – it will be larger at the low points in the business cycle. It also depends on the structure of the economy – factors such as the rate of privata saving and public investment needs.

Likewise, setting a ceiling for public debt of 60 per cent of GDP is no way to identify a financially unsustainable position. The trend of the debt ratio is at least as important.

A more important factor for the viability of monetary union is the sustainability of deficit reduction measures – a judgment on whether fiscal policies are generating durable results. The public finances of a country with a deficit in excess of 3 per cent of GDP may be in a better stata than one with a lower deficit which cannot sustain that level.

Laying too much stress on tha deficit level for 1997 may even be contrary to the principle of sustainability. It encourages the adoption of fiscal measures that have only a temporary effect on the deficit, or window dressing accounting procedures such as off-budget finance for public expenditure.

In many countries, a sustainable reduction in the deficit requires structural changes, rather than tax increases or cuts in public investment. These include reforms in social security and health systems, privatisation of public services, an increase in charges for some services such as higher education and trunk roads, increased efficiency in tax administration and greater flexibility of the workforce.

When the public finances of EU member states come to be assessed, it should be the sustainability of public deficit reduction which is central, not exact compliance with the figures adopted as convergence criteria. A country with a deficit of 4 per cent of GDP which is likely to achieve a sustainable value below 3 per cent by 1999 should not be excluded. What matters is whether the *structural* fiscal deficit, excluding any cyclical component, and the public debt ratio are on a downward trend and the budget balance net of interest payments is positive.

Such a policy of "sound flexibility" – which is allowed under the Maastricht treaty – does not create additional risks for the single currency. The "excessive deficits procedure" in the treaty will exert heavy pressure on countries to adopt sound economic policies. And monetary union is itself a powerful integration mechanism which will inevitably favour convergence in inflation and interest rates.

In compensation for flexibility at the start *of the single* currency, there may be a case for some additional rules to prevent irresponsible fiscal policies after monetary union.

The Council and the Commission should rapidly announce that the assessment of which countries will join the single currency will not only check deficit and debt ratio levels but will also analyse the sustainability of public finances – and lay more emphasis on the latter. At the same time, they should encourage member states to adopt policies that will ensure the sustainability of deficit reduction. They should also use EU institutions to support measures at national and European level to rednce structural unemployment.

Adopting such a sound flexible position would ensure that monetary union does not have to be postponed, or launched with only a few members – either of which would hearten opponents of further European integration.

Postponement would be very costly in terms of tha credibility of European integration and give support to the idea that monetary union can be halted. It would also promote further instability on the financial and foreign exchange markets and push up interest rates.

The markets would see it as leading to a relaxation in financial discipline and an easing in the structural reforms needed to improve the competitiveness and growth of the European economy. Countries with weaker currencies would *suffer most* by any loss of credibility in monetary policy – and thus lose most in terms of growth and employment.

If monetary union is limited to only a few countries, its benefits would be reduced and *divisions* opened between those that were in the single currency and those outside it. Those countries not in the monetary union from the start will find increasing difficulty in meeting the conditions for membership as they will face higher interest rates and more volatile exchange rates.

Monetary union is a political step of the utmost *importance* for the future of Europe and must be envisaged as such by European leaders. It would be wrong to make the decision over membership depend on the economic situation or a technocratic analysis of percentages, some of which have *little* relevance to a single currency. The final decision on which countries qualify for monetary union in 1999 cannot but include a *significant* political component, which no European leader can avoid.

Reuter

Aníbal Cavaco Silva: Emu is a political step of ntmost importance

The author was prime minister of Portugal for 10 years until October 1995, and is now a consultant to the Bank of Portugal

COMMENT & ANALYSIS

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Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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Asia's bank and Uncle Sam

In failing to make up its arrears to the dwindling soft loan fund of the Asian Development Bank, the US is again behaving badly towards an international organisation of which it is a member.

Especially when it claims a large say in the policies of such an organisation, the US should be prepared to fulfil the financial obligations of membership. As with the UN and tha World Bank, to which it has a long history of arrears, it is instead blithely ignoring them.

That stance may make pragmatic sense within the narrow confines of Washington politics, but it damages the broader standing of the US in the world. In the case of the ADB, Washington is going a step further by seeking to impose the view that China and India, two large but very poor countries, should not be eligible for soft loans because both are able to borrow in the private capital markets.

The argument mirrors that under way witb regard to the World Bank's soft loan facility. The view in the region is that private capital is not available to India or China in unlimited quantities. Living standards in both countries are low. Both confront large tracts of poverty. The US is in a poor position to push its views when it is failing to live up to its obligations.

Moreover, the ADB's soft-loan window is not the only part of the bank's operation which the US claims a right to influence. Largely as a result of lobbying by the more radical fringe of the US development movement, the ADB has set strict targets for the proportion of lending whicb is to be directed to poverty alleviation and the environment at the expense of financing infrastructure.

This is unsatisfactory for several reasons. It is as hard to define what is meant by poverty alleviation as it is to measure the return that comes from lending for such a purpose. The bank may end up devoting too much of its resources to compensating for existing poverty rather than paving the way for future prosperity. China and Malaysia complained et this week's ADB meeting that rigid lending targets distorted tbe bank's operations.

Asian members are rigbt to complain at US attempts to impose unnecessary restrictions on its lending decisions. The US is a large shareholder bnt its voting rights in the ADB's ordinary capital are only 8 per cent, somewhat less than China and Malaysia combined.

The ADB's advantage, as ita Asian members grow economically, may be an ability to contribute original Asian solutions to development problems. This may well involve the bank tailoring its soft loan programme to the needs of different countries. It does not need to kowtow to a country outside the region whicb is shirking its financial commitments.

Power bids

Just when calm seemed about to descend on the UK electricity market, the government has disturbed it again. Mr Ian Lang, trade and industry secretary, has reminded investors that the government still bolds "golden shares" in PowerGen and National Power, the two large generators. In one sense, the statement is uncontroversial, since it simply reaffirms tbe existing situation. But the announcement, which suggests that the government wants to block takeovers in generation, raises more troubling qnestions about the government's approach to competition in the industry.

The statement comes just a week after Mr Lang blocked takeover bids by the two generators for regional distributors, against the recommendations of the Monopolies and Mergers Commission. To some industry commentators that appeared to leave the way open for Southern Company, a US generator, to bid for National Power, as it had been considering.

Such speculation was dampened by yesterday's announcement that the government would maintain its policy on special shares in the light of possible bids for generators. The special shares, put in place at privatisation, prevent shareholders from acquiring more than 15 per cent of the generators without government permission. The implication of the statement is that ministers would, for the moment, cast a cold eye on bids.

The insertion of such a provision at privatisation has been helpful in providing stability in an industry undergoing radical structural change. But the government's stated reasons for retaining the shares are curious.

First, it asserts that the sbares are needed because the generating market is not yet fully competitive. However, a change of ownership would have no effect on competition, unless the bidder already owned generation or distribution capacity. If that were the case, questions of competition could be addressed adequately by the commission and Mr Lang himself. For example, Southern Company already owns Sweb, a distributor in the south-west; the commission and Mr Lang would have considered whether it sbould divest that business if it bid for a generator.

Some might regard yesterday's statement as helpful in that it would discourage such bids and hence reduce the likelihood of further lengthy commission inquiries. But there must be a suspicion that the political sensitivity over foreign takeovers of large UK companies played at least a part.

The second questionable aspect of the statement is the assertion that wben the government eventually considers redeeming the shares, it will do so "after consultation with the companies". Why should it do so? And in doing so, why should it expect a management to support the lifting of the protective shield?

The government has partly clarified its response to any bids. But deeper issues of policy towards mergers and competition have also been thoroughly muddied.

An African lesson

The successful privatisation and flotation of Kenya Airways provides an object lesson for Africa. Over the past three years the country's lossmaking state-owned airline has been turned into a profitable operation which has attracted a foreign partner. Last year the Dutch national carrier KLM took a 26 per cent stake, providing not only capital, but much-needed access to management and marketing skills. Now the airline has been floated on the Kenyan and London markets. This is an example from which other African countries should learn.

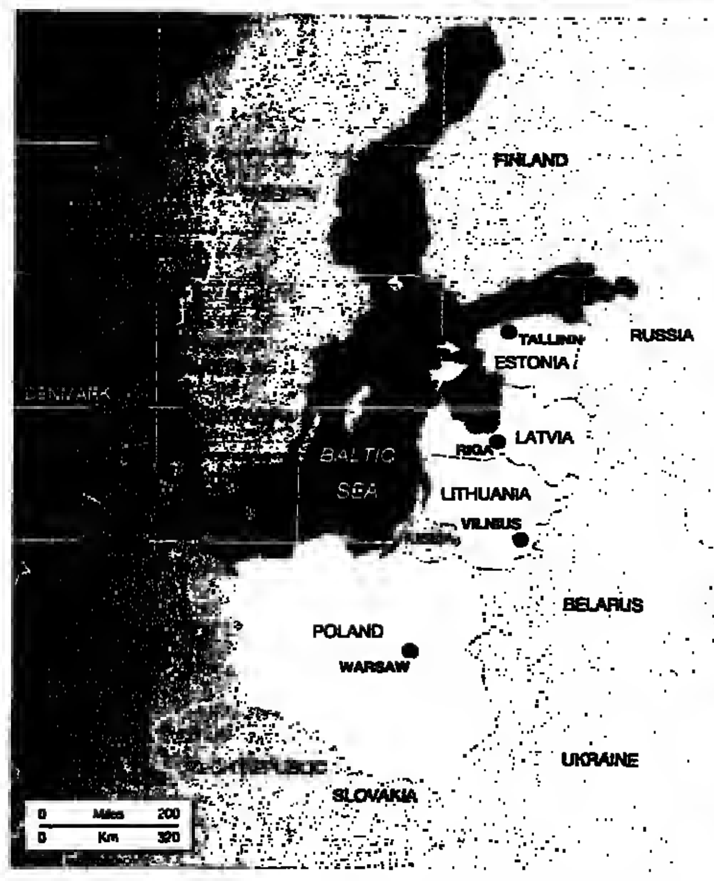
Kenya has demonstrated that in an appropriate economic environment inefficient, lossmaking public corporations can be turned into successful ventures, capable of attracting foreign partners. Among the comtries that need to take note are South Africa, where the government seems to be dragging its heels over the future of Telkom, the state-owned telecommunications giant, and Zambia, which has been painfully slow in privatising the copper mines it nationalised in the early 1970s.

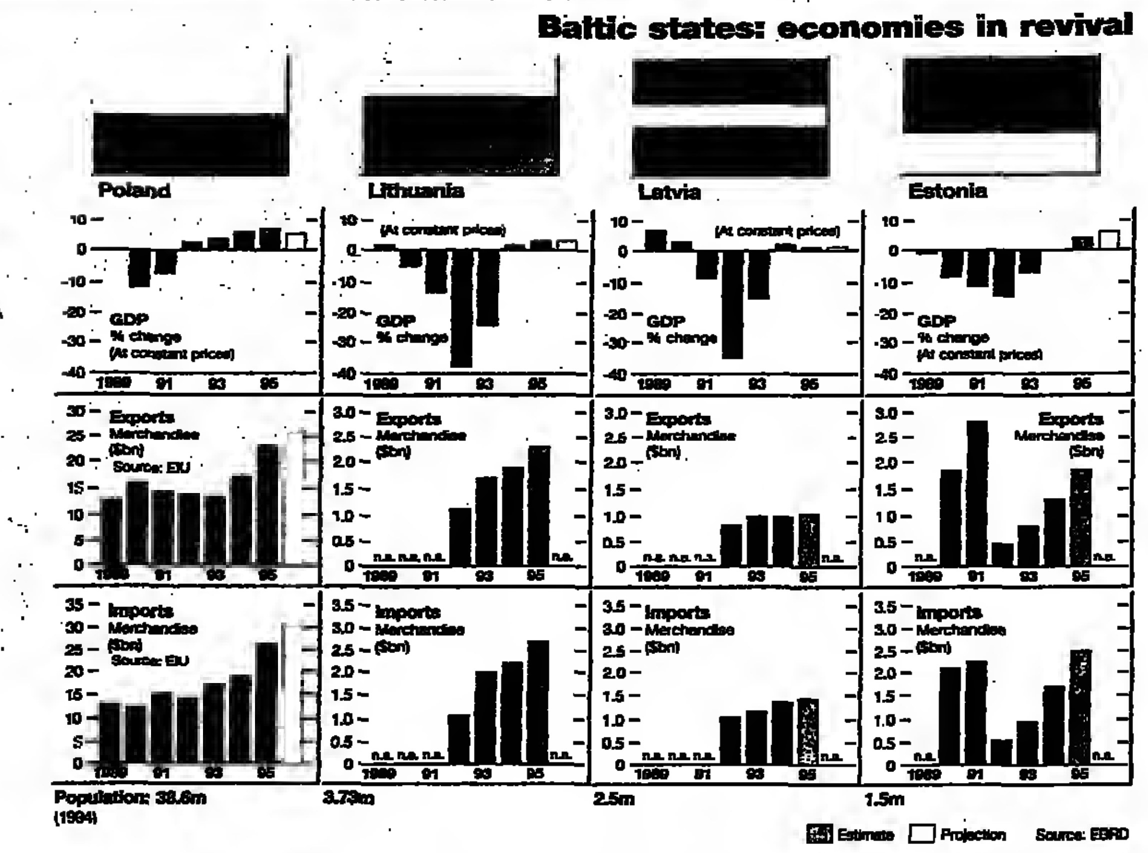
Aid without private investment is not enough to rescue Africa from its economic crisis. As a recent Unctad study pointed out, while foreign direct investment inflows to all developing countries more than doubled between 1986-90 and 1991-94, those to Africa hardly increased, staying at about $3bn a year. Of this, oil-producing countries accounted for about two-thirds. As a result Africa's ahare in the developing countries' total foreign investment declined from over 11 per cent to 6 per cent, leaving the continent marginalised in an increasingly globalised world economy.

Yet, on closer examination, the picture is not as bleak as it may appear. In most years between 1980 and 1993 tha rate of return in Africa was considerably higher than that in Latin America and than the average for all developing countries. Of course, the return on investmant must be higher to reflect the perceived higher risk. Africa still has an image as e continent beset by debt, disease and disasters, natural and manmade. Moreover, while most African governments have embarked on reform programmes, implementation bas often been half-hearted.

Another burdle is the weak state of the region's financial services sector, coupled with a poor telecommunications system. Yet both these problems are but symptoms of a basic policy shortcoming – the slow pace of privatisation. As a result, there have been fewer investment opportunities.

Africa is lagging behind the rest of the world. But the success of the Kenya Airways flotation, and such examples as the privatisation of Ghana's Ashanti Goldfields, show that thriving concerns can emerge from enterprises stifled by state ownership in the early years after independence.





Prosperity without security

The Baltic region has enjoyed an economic revival since the cold war ended but a shadow lingers, say **Hugh Carnegy** and **Matthew Kaminski**

With the spring thaw breaking up the ice on the Baltic Sea, 12 European beads of government meet today on the Swedish island of Gotland to celebrate tbe Baltic region's rebirth after the end of the cold war. Democracy has been thriving since the disintegration of the Soviet Unioo, and trade and investment are rising.

"No region has been affected so positively by the end of the cold war as tbe Baltic," says one senior Swedish official.

But the leaders meeting at the old port of Visby know that the shadow of the cold war has not been entirely lifted. Russia's opposition to the desire of the Baltic states – Estonia, Latvia and Lithuania – to join Nato has left the future of the region's military alliances hanging in the air and added a menacing note of mcertainty to an otherwise positive outlook.

The conference will include Mr Victor Chernomyrdin, prime minister of Russia, Mr Helmut Kohl, the German chancellor, and the leaders of Poland, Denmark, Finland, Norway, Sweden and Iceland, as well as representatives of tbe European Union. But perbaps the proudest participants will be the prime ministers of Estonia, Latvia and Lithuania – countries which until 1991 were locked into the Soviet Union.

The summit will seek to emphasise the gains – rather than the risks – for the region following the collapse of the Soviet regime. It will concentrate on the resurgence of democracy in Russia, Poland and the Baltic states, on trade, and on so-called "soft security" issues such as projects for improving the environment around the Baltic.

The region bas certainly been transformed. The "ice curtain" in the eastern Baltic, which ran up Finland's long border with Russia to the Arctic Sea, froze relations in a sea basin whicb for centuries had been an important centre of European trade.

Now Germany is reunited, Poland is free of Moscow's influence, and Estonia, Latvia and Lithuania are fully independent nations for tbe first time since they were swallowed by the Soviet Union after a brief spell of freedom in the inter-war years.

In 1994, the Baltic states – strongly supported by Sweden and the western powers – won landmark agreements on tbe withdrawal of Russian troops from their territories. There are still tensions with Moscow, especially over the conditions for the large number of ethnic Russians in Estonia and Latvia, many of whom are denied the vote by tough citizenship laws. But the independence of the three countries has been strengthened.

Like Poland, tbe Baltic states have embraced market reforms and now lead all the other former Soviet repnblics in economic development. They are benefiting from investment flows from Germany and their Nordic neighbours. The states have followed Poland in winning associate membership of the EU and are pressing hard for inclusion in the next round of EU membership enlargement: Estonia, economically the most successful of the three, is the most promising candidate.

The collapse of the Soviet Union and the east-west confrontation was a big factor in convincing Finland and Sweden that they could join the EU last year withont compromising their neutrality.

As the summit will emphasise, the opening-up of the Baltic basin has sparked bopes of a big trade revival in the region. St Petersburg, with its 10m population at the eastern end of the Gulf of Finland, is seen as an enormous potential market by Russia's Baltic neighbours, and provides en incentive to build relations with Moscow.

The summit will ring with echoes of the Hanseatic League, the Baltic-based block of trading towns which wielded strong political inflnence in Europe in the Middle Ages.

But lurking behind the optimism that Sweden is determined will infuse the summit lies the problem of regional security. It is the most important unresolved issue in the Baltic left over from the cold war, with deep ramifications for both Moscow and Washington.

The beart of the issue is the desire of Poland and the Baltic states for Nato membership to guarantee their independence. Moscow is strongly resisting Nato enlargement, but is especially opposed to the notion of Nato membership for Estonia, Latvia and Lithuania, which until five years ago were an integral part of the Soviet military infrastructure.

A loud voice proclaiming Moscow's view has been the Russian ambassador in Finland, Mr Yuri Deryabin. In an interview last week with a Finnish newspaper, he said: "No matter what [the Baltic countries] say, can you imagine a situation where Russia would have an organisation like Nato on its border? Obviously protecting Russia's security interests would then come into play. Some kind of corresponding measures would have to be taken."

The special sensitivity for Russia of the Baltic states makes the already delicate issue of Nato enlargement more awkward for the western powers. Mr Javier Solana, the Nato secretary-general, told the states on a recent visit that the western alliance would not neglect their security concerns or close the door to their eventual membership. But there is no suggestion that any of the three will be among the first candidates for Nato's enlargement.

This in turn worries the Baltic states. They fear they will be consigned to a kind of no-man's land where they are de facto regarded as being within Moscow's sphere of military influence. "To bring in some countries and ignore others might create a dangerous grey zone and reduce security across the region," says Mr Albinas Januska, Lithuania's deputy foreign minister.

Complicating the equation is the position of Sweden and Finland. Both countries have given strong political and economic backing to the Baltic states. But both are still neutral – as they were throughout the cold war – and continue to be nervous about their neighbours' determination to join Nato.

A solution canvassed by Mr Douglas Hurd, the former UK foreign secretary, is for the creation of a Baltic security sub-zone – a proposal winning support behind the scenes from the Russians and the Germans. Separate from both Nato and Russia, this would create a security alliance, including Estonia, Latvia and Lithuania, in which Sweden and Finland would take the lead.

But none of the prospective members of this group is interested. It was ruled out at a meeting last week in Helsinki by Mr Paavo Lipponen and Mr Göran Persson, the Finnish and Swedish prime ministers. "Any military guarantees on our parts to the Baltic states are out of the question," Mr Lipponen said.

Nor do the three Baltic states want them. They insist they need a Nato tie that is stronger than their present membership of the alliance's Partnership for Peace programme, which offers co-operation without security guarantees.

"The overall responsibility for security cannot be shifted from the US and Germany to Sweden and Finland," says Mr Jurl Luik, the former Estonian foreign minister. "If Nato enlargement takes place and the Baltic states are not in, then it would be very important to find ways to indicate that the Baltics are close to Nato."

The summiteers in Visby can skirt round these issues safe in the knowledge that nobody wants to confront them fully until after the Russian and US presidential elections later this year. In the meantime, Sweden and Finland will lobby hard for the Baltic states to be pushed up the priority list for inclusion in the EU's enlargement – on a par with Poland.

That is a vital goal for the three countries, but it will not satisfy them. Their deep-seated worry is that they will be left in a limbo in the new Baltic. "It is a unique chance in our history to become part of Europe," says Lithuania's Mr Januska. "But we fear the west might sell us out again."

After the Soviet Union

● **Estonia**
The smallest Baltic state, two-thirds of its population of 1.5m are ethnic Estonians; the rest of Slavic origin. Of the former Soviet republics, Estonia moved fastest to shed the communist legacy – it was the first to introduce its own currency, which is pegged to the D-Mark. Expected growth of some 6 per cent this year will bring it close to the levels of output before it abandoned the command economy and lost its Russian markets.

● **Latvia**
Once the region's finance and industrial centre, its cities are predominantly Russian – non-Latvians make up 48 per cent of the 2.6m population. Despite a serious financial crisis last year, banking remains the backbone of an economy which has liberal laws on capital movements. German, Swedish and Russian merchants are again converging on the country as a centre for trade between Russia and the west.

● **Lithuania**
A nation with a rich independent history, its ethnic purity – 80 per cent of its 3.7m people are Lithuanians – has reduced scope for conflict with Moscow. Former Communists took power in 1993 and introduced a new, strong currency and reduced inflation. A return to growth has been offset this year by an expensive banking shake-out. Spared the heavy industrialisation of the Soviet era, its economy is largely agricultural.

● **Kaliningrad**
This region around the former Prussian city of Königsberg was annexed by Stalin 50 years ago. Now the westernmost Soviet military outpost, its Russian leaders want Kaliningrad to be an entrepot trade centre. The army elite opposes reducing the large military presence – estimated at 200,000 soldiers in a population of 900,000 – inflated by the presence of divisions withdrawn from central Europe and the Baltic states.

· OBSERVER ·

Wes cooling off – period

■ Starbucks coffee may have conquered America from Seattle, but there must be something else in the air and water which is giving the Pacific north-west, east of the Cascade mountains and stretching into Montana, a bad name. Not only is it the preferred habitat of militias, freemen and the Unabomber – now it has Wes Cooley to ponder.

He is the 63-year-old freshman Republican congressman from eastern Oregon, hitherto best known for his ferocions assault on environmental regulations. He seems not to like laws of any form, which is the largest of his problems. The charge is that his wife, whom he may have married in the mid-1980s, continued to receive s military widow's pension for another 10 years. That's specifically proscribed, as any member of the veteran's affairs committee – where Cooley sits – should be sware.

The circumstances of his marriage are mysterious, mostly because, unusually, the records are sealed in a California courthouse. Bnt tbe Cooleys did recently stage a renewal of their wedding vows, on what was assumed to be their 10th anniversary. His campaign literature always boasted of a wife.

But he also boasted that be served in the Korean war (which he now concedes was just "going on" while he was in the army) and that he was a member of the *phi beta kappa* fraternity for the very best university scholars (it turns out he belonged to a social club with different Greek words, at a modest California community college).

But at least his problems have given rise to one of the great quotes ever issued by a press secretary, worthy of Ron Ziegler's Watergate explanations.

Of the Cooley marriage, his aide said: "He will attempt to explain it wben be has all the facts at his disposal."

Silence Goldman?

■ David Woods' ability to translate into plain language the intricacies of the Uruguay Round earned him the grattitude of hacks the world over.

But the World Trade Organisation's mouthpiece has obviously decided it's time to look to his own balance of trade. The 49-year-old Brit is joining his erstwhile boss, Peter Sutherland – now chairman of Goldman Sachs International – as the investment bank's first in-house PR lackey in London.

After 13 years in Geneva, Woods deserves e rest from squabbling WTO (and previously Gatt) ambassadors, who have even thwarted the creation of a logo for the new organisation. Meanwhile, his service on the front line, battling – not very successfully – member governments in the name of greater transparency should stand him in good stead at the obsessively secretive Goldman. If he cracks it, he knows where to call.

Kime's home run

■ Admiral Bill Kime might have relinquished his job as head of the US coastguard, but he's still empire-building. Now executive chairman of Interocean Ugland Management Corporation, the ship-owning and management group, Kime is still making waves, now in the world of ship management.

A year ago Ugland International Holdings, the parent company, linked up with Totem Resources Corporation, the Seattle-based liner operator and owner of one of the US's largest tug and barge groups.

Now Ugland and TRC have got even closer together, with the formation of a single ship management group to manage the 43 vessels – including ro-ros, tankers and reefers – of their jointly owned businesses. With the group now spread across operations in the US, UK and Norway, Kime says he feels like home is an airport lounge: "I've done more than 100,000 miles since the start of this year."

Kime, now 61, hit US headlines in 1993 when he was the figure repelling Haitian borders from the US coastline. But he presumably did it with full managerial competence, having introduced Total Quality Management into the coastguard during his four-year stint.

Kime'e a huge baseball fan, supporting his home side, the Baltimore Orioles. Lucky in business, unlucky in sport – the Orioles got slammed the other night by the New York Yankees.

Sign of the times

■ *Oh the marvels of German* industry – straining every widget to keep ahead in the global cnt and thrust of the 1990s.

In the course of this noble endeavour, Bayer, the chemicals giant, yesterday announced that as many as 10,000 of its employees would now be anthorised to act as sole signatories to letters – instead of having to go to the trouble of securing a second signature on everything they sent out, down to the last invitation to an annual meeting.

The company trumpeted the advantages of this spiffing new system, with Manfred Schneider, Bayer's chief executive, reckoning it would give employees "more responsibility and motivation".

You don't kid us. If Tony O'Reilly can save millions by changing the label on baked beans cans, who knows what Schneider can save by reducing writing time?

The Financial Times

100 years ago

Debate in the Reichstag
In tha Reichstag to-day, Herr Meyer, member for Danzig, interpellated the Government on the subject of the conversion of the German Imperial Loans. Count Posadowsky, Secretary for the Treasury, replied that it could not be the intention of the Government to depress the general rate of interest, nor could the Government think of grasping at every opportunity - perhaps only a fleeting one – for converting the debt. The consequences of conversion would be that their good German money would go abroad, and that doubtful foreign paper would come over in its place. (Reuter).

France's pet colony
The short-sighted and selfish policy of France in commercial matters has become almost proverbial, and numerous instances of it are given in Mr. Lambert Playfair's report on the trade of Algeria. The French authorities are doing their best to stifle the commerce of this, their pet colony, and their especial enmity appears to be directed against British enterprise. Wherever the Republic extends its dominion, there general commerce is handicapped, with the mistaken notion of keeping the trade in native hands.

FINANCIAL TIMES
Friday May 3 1996

Chance of qualifying for Emu queried by OECD

Paris plans to cut public spending in real terms

By David Buchan in Paris

The French government is planning to cut overall public spending in real terms next year in a bid to reduce its deficit sufficiently so that France can qualify for European Monetary Union.

The plan emerged as the Organisation for Economic Co-operation and Developmant said that both France and Germany would fail next year to meet one of the criteria for participation in the proposed European single currency – a budget deficit of or below 3 per cent of gross domestic product.

Mr Jean Claude Paye, secretary-general, said yesterday that OECD projections for both countries "yield a public deficit figure of more than 3 per cent", though he said the forecasts had been made before last week's announcement by Germany of a DM50bn ($32.8bn) austerity plan.

The French government yesterday insisted that it was adhering to its goal of a budget deficit within the criterion, as Mr Alain Juppé, the prime minister, yesterday launched a drive to cut spending, shed wasteful government programmes and trim civil service numbers.

Summoning all his ministers to a special meeting on the 1997 budget preparations, he asked them to throw themselves into the struggle to find enough savings to reduce this year's planned deficit of Ffr288bn ($56bn) to below Ffr250bn next year.

Seeking an early show of parliamentary support for his measures, Mr Juppe has scheduled a National Assembly debate on next year's budget for May 14-15. He plans to involve himself personally in budget discussions for much of the summer.

Having ruled out any further increases in taxes, which rose substantially in the past year, Mr Juppé has now committed himself to keeping public spending in 1997 at the same level in current terms as this year. This commitment implies a real cut of around 2 per cent though the government will not comment on reports that it is aiming to prune spending by Ffr40bn-Ffr60bn next year.

In addition to warning that all ministries will have to take cuts Mr Juppé is also prepared to prune those housing and job subsidies which seem to be having little effect.

These subsidies have been a major part of government policy to stimulate the economy and create jobs, but the government now seems to be relying more on budget deficit cuts feeding through to interest rate reductions in order to boost activity.

Mr Juppé is understood to believe that it might be a political mistake to repeat next year the partial wage freeze he has imposed on French civil servants this year. However, he appears prepared to tackle the issue of reducing the country's civil service.

CSFB accuses EU on aid for eastern Europe

By Nicholas Denton in London

CS First Boston, the investment banking arm of CS Holding, has accused the European Union of "discrimination" in the allocation of aid money from the Phare programme for eastern Europe.

In a letter to Sir Leon Brittan, the EU chief trade negotiator, CSFB complained it was being excluded from a privatisation tender financed by Phare because two executives on its team were not EU nationals.

CSFB said the EU should recognise that most investment banks were international institutions with a diverse staff.

EU officials pointed out that nearly all EU aid is tied aid. Under EU financial regulations, all companies tendering for aid or assistance contracts must be registered in the EU or in beneficiary countries. "There are moves afoot to untie aid, but the idea is still in its infancy," an EU diplomat said.

Officials added that several contracts also have written into them an exclusion clause stipulating that individuals as well as consultancies must be from an EU member state or from one of the beneficiaries.

CSFB said it interpreted the clause in the Hungarian tender as referring solely to companies and not to individuals.

The Phare programme, under which the EU disbursed Ecu1.12bn ($1.37bn) last year, is used to help countries in central and eastern Europe prepare for accession to the EU. The complaint arose over Phare's conditions for funding of Ecu1.1m in fees for investment bankers advising on the privatisation of Magyar Hitelbank, Hungary's largest commercial bank.

Although CSFB's worldwide headquarters is in New York and its ownership Swiss, the European operations are incorporated in the UK, so it qualifies as an EU firm. But in its team CSFB included Mr David Mulford and Mr Ian Molson, the chairman and co-head of investment banking for European operations.

Phare has disqualified CSFB because Mr Mulford, a former US Treasury undersecretary, is a US citizen, and Mr Molson is Canadian.

Although formal letters have not gone out to the bidders, Budapest investment bankers expect the privatisation mandate to go to Barclays de Zoete Wedd, the investment banking division of Barclays Bank of the UK.

Mr Mulford, in a letter sent last week to Sir Leon Brittan and obtained by the Financial Times, sharply criticised EU policy. "I find it extraordinary that we should be subjected to this test in the first place since we are a multinational firm comprising many nationalities, as indeed is the case for every leading international investment bank."

Rapid growth in US GDP

Continued from Page 1

said Mr Edward McKelvey, a senior economist at Goldman Sachs in New York.

Few analysts expect the central bank to raise short-term rates as soon as its policy meeting later this month. But a tightening in July is seen as possible if growth appears to running above 2-2.5 per cent, which the Fed regards as the economy's long-run potential.

Traders were yesterday preparing themselves for today's crucial report on job growth in April. A large increase in payroll employment would reinforce expectations of faster economic growth and raise the likelihood of a tightening of monetary policy.

BT and C&W

Continued from Page 1

new opportunities for an alliance.

Mr Olsen blamed the breakdown of the talks on a "fruit salad of reasons", but observers close to the prospective deal said price, the potential regulatory climate in the UK and the likely attitude of the Chinese government were the most important.

It is thought the two sides started the talks in the expectation that a suitable price could be agreed, but in the end BT was not prepared to accept C&W's valuation.

Though the news came after the London stock market had closed, both companies' stock tumbled in New York. In mid-session, C&W's American Depository receipts were $21¼, down $1⅞; BT ADRs were $51½, down $3⅜.

Matsushita enters Japan's domestic telecoms market

By Michiyo Nakamoto in Tokyo

Matsushita, Japan's largest consumer electronics maker, is set to become the first big Japanese company to take advantage of government deregulatory measures and enter the domestic telecoms market by providing long-distance telephone and network services.

Matsushita said it planned to connect its own private leased lines, which link about 500 of its subsidiaries and affiliates throughout Japan, to public telecoms networks and provide low-cost telecoms services to the general public as early as next year.

The plan would make Matsushita the first Japanese company to take advantage of the government's decision to allow private leased lines to be connected at both ends to public networks by the end of next year.

Toyota, the carmaker, also has plans to provide telecoms and network services using private leased lines to group companies, although it hopes eventually to expand services to the public.

Matsushita's move is expected to pave the way for other companies to offer similar services, injecting further competition into Japan's domestic telecoms market, which is dominated by NTT, the former monopoly.

The high market share that NTT still commands has been blamed for keeping telecoms prices high and for delaying the introduction of new services.

The decision by Matsushita also highlights the growing importance of telecoms businesses for consumer electronics companies as spending on home leisure activities in the world's main economies shifts from audiovisual equipment to personal computers.

In addition to voice telephony, Matsushita aims to provide network services, such as Internet and other multimedia services. "Our end goal [with this project] is to create a communications network that links individuals and this is just a first step towards that," it said.

The company, which last year sold its majority shareholding in MCA, the US entertainment group, hopes to reduce its dependence on sales of consumer electronics hardware, which have been hit by falling prices and saturated markets. Last month Matsushita and IBM agreed to join efforts in developing and marketing network services.

In its latest venture, Matsushita will connect its private network, which runs from Sapporo in the north to Fukuoka in the south, to about 40 points along NTT's local network. Callers will dial an access number that would link their phone line to Matsushita's private leased line.

The system will use an adaptor developed by Matsushita to route the call along the cheapest public network. By using this system, Matsushita hopes to provide long distance services at a discount compared with NTT and long-distance competitors.

THE LEX COLUMN

Broken engagement

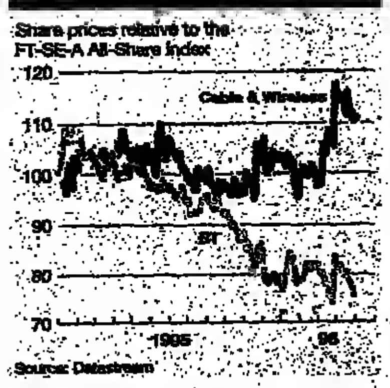
Both British Telecommunications and Cable and Wireless have been damaged by the breakdown of their merger talks. But there is little doubt that C&W's wounds are deeper. Not only have the discussions taken their toll on morale, especially at its UK arm, Mercury Communications, which would have been sold had the talks succeeded, but C&W is now drifting without a strategy.

If C&W's new chief executive is really top-notch, he may be able to restore morale. But finding a way out of the strategic bind will be harder. C&W's loose collection of operations around the world – dubbed the "federation" by its previous chief executive – does not add up to a convincing strategy. Such a collection would, however, have made a neat fit for BT, AT&T or Deutsche Telekom, all of which are aiming to create global supercarriers. Though the logic of such a tie-up remains, C&W could hardly embark on another series of complex and disruptive discussions in the near term. Since C&W is well protected against hostile bids, the premium in its share price will evaporate.

BT has less to lose from the merger's collapse, but that does not mean it has got off scot-free. Not only has it lost the opportunity to leap ahead of its rivals in the race to form global supercarriers but it has to face the unpleasant fact that the lion's share of its business will continue to be UK-based and regulated. With BT's regulator, Oftel, looking to cut its operating cash flow by £1.2bn ($1.81bn) a year, the medium-term earnings prospects are grim. Longer term, its international strategy may bear fruit. But the only short-term earnings fix would be to give its shareholders the £6bn cash it was planning to spew out as part of the C&W merger. Still, even that should wait until Oftel has finalised its plans. If BT moves too soon, the regulator could tighten the screws another notch.

FT-SE Eurotrack 200: 1724.0 (-4.2)

UK telecommunications



Unilever/Nestlé

Change was in the air for Europe's food manufacturers yesterday, with both Unilever and Nestlé announcing sparkling sets of figures. Both stocks had underperformed their respective markets by about 20 per cent since 1995, but they appear to be back on a recovery track.

In the case of Unilever, the boast carries a slightly hollow ring to it. The recovery in the US was the result of a one-off rebuilding of Lipton drink stocks by retailers. Meanwhile the mature Japanese and Australian markets have taken some of the shine off performance in Asia Pacific. Indeed, it was Europe that held out the greatest hope of progress. Performance there was distorted by the £15m stock write-down of beef products due to fears over mad cow disease but underlying profits growth amounted to 6 per cent. A combination of mature product lines and troubled markets, such as Germany and France, means that growth will come from cost savings derived from a raft of previous restructurings. But a recent shake-up of Unilever's executive structure offers hope that a more responsive middle management will deliver better returns.

Nestlé is undergoing its own less dramatic management changes, but profits are being driven by external factors: a weaker Swiss franc and a decline in the coffee price. Coffee will add significant zest to 1996 profits, pushing group profit margins back over 10 per cent and helping generate the volume growth that seems to elude Unilever. Its shares should therefore lead the way.

UK power

Yesterday's government statement makes its electricity policy even more shambolic. The stock market instantly assumed bids for generators were ruled out; although on a close reading, the statement could not be more evasive. It is also gibberish. The golden share shielding the generators from takeover is, we are told, needed because they are not yet exposed to enough competition. In reality, the competition shortage makes the need for alternative disciplines on management – such as the threat of takeover – more, not less, important.

The emphasis on competition is, though, significant: it looks like a shot across PowerGen's bows. Suggestions that PowerGen might get away without disposing some of its power stations to Hanson now look distinctly unrealistic. But this begs another question: how far Hanson should be allowed to build up generating capacity. The government's position on this badly needs to be made clear. So does its view on combining more than one regional electricity company (rec): this is, after all, an obvious fallback for Southern Company of the US which was stalking National Power.

The market did jump to one optimistic conclusion: if US bidders cannot go for generators, bids for recs are now more likely. Well, maybe. But the constant shocks to this sector and the government's fondness for leaving so many big questions unanswered must be a deterrent to foreign investors. In its protectionist mode, the government may not regret that. But it should not be surprised if US investors take a sniffy view when it tries to persuade them to buy nuclear shares.

Tracy the sheep

It may seem a lot of money to pay £100m for a sheep or even a flock of them. But Tracy the sheep and her brood are no ordinary herbivores; and PPL Therapeutics, Tracy's Scottish owner which is aiming for a £100m stock market flotation, is extraordinary even by the whacky standards of the world of biotechnology.

PPL is one of only three companies in the world breeding genetically modified (transgenic) animals for their milk. By injecting them with human gene fragments, these animals can be made to produce human proteins – and in particular proteins whose deficiency causes disease. PPL's sheep already make nine proteins connected with cystic fibrosis, haemophilia, heart attack and stroke.

Genetic engineering conjures up negative images, but the idea is not new. Eli Lilly of the US makes a fortune producing human insulin from transgenic bacteria. Others use mice. The advantage of sheep is that they can produce more complex proteins in higher concentrations. They are also a lot easier to milk. PPL's products should gain rapid market acceptance since they are natural and, once the herd is established, costs are minimal.

That said, the company will not launch its first product until 2001. Positive cash flow and profits will take even longer. But given the enthusiasm for biotechnology stocks, that should not present a problem for the float.

Additional Lex comment on Kwik Save, Page 21

FT WEATHER GUIDE

Europe today

A north-easterly flow will bring cool and moist conditions to western Europe. Afternoon temperatures in the UK will approach 10C while in the western parts of the continent maximums will be around 15C. Cloud and showers will occur in the British Isles, the Benelux, western Germany and most of France. Southern Scandinavia and western Russia will also have cloud and rain. There will be thunder showers over the Balkans. Eastern Europe will stay dry and warm with afternoon temperatures exceeding 20C. Sunshine will prevail over the eastern Mediterranean but a few thunder showers will occur in south-eastern Turkey.

Five-day forecast

There will be showers over the interior of the continent and western Russia. The British Isles will stay mainly dry with sunny spells during the weekend. Later in the week a disturbance will produce cloud and rain in north-western France, the Benelux and southern UK. South-eastern Europe will remain warm with plenty of sunshine until showers arrive at the beginning of next week.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	36
Accra	fair	33
Algiers	fair	19
Amsterdam	shower	14
Athens	sun	24
Atlanta	sun	32
B. Aires	fair	23
B.ham	rain	9
Bangkok	thund	35
Barcelona	fair	17
Beijing	fair	28
Belfast	fair	8
Belgrade	fair	28
Berlin	rain	20
Bermuda	fair	24
Bogota	cloudy	19
Bombay	fair	33
Brussels	shower	15
Budapest	fair	22
C.hagen	rain	14
Cairo	sun	35
Cape Town	shower	20
Caracas	thund	30
Cardiff	cloudy	10
Casablanca	shower	23
Chicago	cloudy	14
Cologne	shower	17
Dakar	sun	28
Dallas	fair	32
Delhi	sun	40
Dubai	sun	35
Dublin	fair	9
Dubrovnik	rain	18
Edinburgh	cloudy	7
Faro	rain	18
Frankfurt	fair	18
Geneva	rain	14
Gibraltar	rain	18
Glasgow	cloudy	8
Hamburg	rain	17
Helsinki	rain	16
Hong Kong	shower	27
Honolulu	cloudy	29
Istanbul	fair	23
Jakarta	fair	32
Jersey	rain	11
Karachi	sun	37
Kuwait	sun	44
L. Angeles	sun	24
Las Palmas	cloudy	25
Lima	cloudy	24
Lisbon	fair	17
London	rain	11
Lux.bourg	shower	13
Lyon	rain	15
Madeira	shower	21
Madrid	fair	17
Majorca	fair	18
Malta	fair	23
Manchester	rain	9
Manila	thund	34
Melbourne	cloudy	21
Mexico City	thund	27
Miami	fair	31
Milan	shower	19
Montreal	rain	15
Moscow	fair	21
Munich	fair	18
Nairobi	cloudy	25
Naples	rain	19
Nassau	fair	30
New York	cloudy	17
Nice	shower	18
Nicosia	thund	23
Oslo	rain	12
Paris	rain	14
Perth	fair	26
Prague	fair	21
Rangoon	fair	35
Reykjavik	drzzl	7
Rio	fair	29
Rome	rain	20
S. Frsco	sun	20
Seoul	sun	25
Singapore	thund	31
Stockholm	rain	13
Strasbourg	cloudy	17
Sydney	rain	18
Tangier	rain	22
Tel Aviv	fair	33
Tokyo	sun	23
Toronto	shower	18
Vancouver	shower	11
Venice	shower	18
Vienna	cloudy	21
Warsaw	fair	22
Washington	fair	25
Wellington	fair	14
Winnipeg	fair	11
Zurich	rain	15

FINANCIAL TIMES
COMPANIES & MARKETS
Friday May 3 1996

IN BRIEF

France poised to announce AGF sale

The French government is set to test the appetite of international investors for French privatisations with the sale of its 56.9 per cent stake in Assurances Générales de France (AGF), the insurance group. Page 16

Alusuisse-Lonza to acquire Wheaton of US
Alusuisse-Lonza, the Swiss aluminium, packaging and chemicals group, is set to become the world's biggest supplier of packaging to the pharmaceutical industry after agreeing to buy Wheaton of the US for more than $400m. Page 17

DSM declines 40% in first quarter
DSM, the Dutch chemicals group, saw its first-quarter net profit slump to Fl 205m ($119.5m) from the Fl 356m achieved during the same period a year earlier. It nevertheless reiterated its forecast that 1996 would be "a good year" overall. Page 17

North Sea Ferries seeks closer P&O ties
North Sea Ferries, the joint venture between the UK's P&O and Nedlloyd of the Netherlands, is seeking to intensify its co-operation with its UK partowner in response to growing competition from cross-Channel operators on the Dover-Calais route. Page 17

American Express set for cards clash
American Express announced its intention to issue charge and credit cards through banks in the US, a move which will bring to a head a long-simmering international dispute with another leading payments brand, Visa. Page 20

UK power group expected to reveal offer
Midlands Electricity, the UK regional electricity company, is expected to announce within the next few days that it has received a formal takeover offer from a US utility. Page 21

Seven Seas sale nets £150m for Hanson
Hanson, the UK industrial conglomerate which is planning a four-way demerger, announced the £150m ($226.5m) sale of Seven Seas, its UK vitamin supplement business, to E. Merck of Germany. Page 22

Alcan head upbeat on prospects for year
The aluminium industry can expect 1996 to be a mirror image of 1995, which "came in like a lion and went out like a lamb". This year started with weaker demand and lower prices but should finish strongly, according to Mr Jacques Bougie, president of Alcan of Canada, the world's second largest aluminium group. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Rg	930	+	20
Bank Berlin	325.9	+	11.4
Holzmann	513	+	19
Falls			
Herlitz	171	–	12
Hoechst	494.2	–	21.4
Linotype	118	–	5.8
NEW YORK ($)			
Rises			
Amca Inc	23	+	2½
Cycare Sys	43¾	+	4⅛
HPS Inc	55⅝	+	3¾
Falls			
Cable & Wire	21¼	–	1⅛
Cigna Corp	105⅞	–	5⅝
Natl Power	31	–	3¼
LONDON (Pence)			
Rises			
Br Borneo	549½	+	25½
Moss Bros	998	+	43
Vega	330	+	22
Falls			
Gt Universal	687	–	30
Kwik Save	428	–	40
Micro Focus	973	–	37
TORONTO (C$)			
Rises			
Imax Corp	53.0	+	3.5
QLT Photother	26.25	+	2.25
Veritas Engy	15.5	+	1.15
Falls			
Demco Inds	11.0	–	1.0
Multi-Corp	8.7	–	0.55
Scorpion Min	10.55	–	0.7
PARIS (FFr)			
Rises			
BIC	578	+	8
Danone	800	+	19
Eurafrance	2090	+	102
Falls			
Air Liquide	928	–	11
Banc Comp	560	–	11
Legrand	972	–	33
TOKYO (Yen)			
Rises			
Janome Sewing	518	+	75
Nagasakiya	635	+	35
Falls			
Chiyoda F&M	672	–	31
Dennys Japan	3780	–	130
IHI	498	–	16
Long Tm Cred	862	–	34
HONG KONG (HK$)			
Rises			
Lucky Man Hld	3.4	+	0.32
Nanyang Hlds	9.65	+	0.30
New Wrld Inir	18.4	+	0.65
Falls			
Aeon Credit	2.25	–	0.12
Luoyang Glass	2.125	–	0.12
Manhattan	3.875	–	0.27
BANGKOK (Baht)			
Rises			
Advance Paint	64.0	+	5.5
Bnk Ayudhya	143.0	+	13.0
IFCT Fin Sec	70.5	+	6.0
Falls			
Asian Sea Fd	52.0	–	5.0
Innox Rubber	89.5	–	9.5
Thai Wah Food	18.25	–	1.75

New York and Toronto prices at 12.30pm.

Sabena may shed up to 1,700 jobs

By Neil Buckley in Brussels

Employees of Sabena, the Belgian airline 49.5 per cent owned by Swissair, have been told they could face the loss of up to 1,700 jobs or a 15 per cent wage cut as part of management plans to reduce costs by BFr4.7bn ($150m) by 1998.

Mr Paul Reutlinger, the former Swissair marketing director who was appointed Sabena's chief executive in February, told a workers' council meeting this week that he aimed to return the airline to profit within two years. He had set a return on investment target of 4 per cent for 1998, and 8 per cent by 2000.

Sabena made losses of BFr1.2bn in 1994 and BFr530m in 1995, and was hit by strikes late last year after the previous chief executive, Mr Pierre Godfroid, tried to impose cost cuts including a three-year wage freeze, a 5 per cent increase in working hours and more flexible working conditions.

Mr Reutlinger said his restructuring plan would cut annual costs by BFr4.7bn by 1998, and BFr6.7bn by 2000. Another priority was to increase the airline's load factor from 51.4 per cent to 58 per cent.

Management expected to to find 40-60 per cent of the cost savings through a review of operations, but the rest would have to be achieved out of wage and social costs. In the worst case, if the larger share of the burden fell on the workforce, Mr Reutlinger warned that would mean either cutting the 9,500-strong staff by 1,700, or a 15 per cent pay cut.

"There is no use keeping on circling around the problems, we have to tackle them," Mr Reutlinger told workers. "Our fate is in our own hands."

Union representatives reacted angrily to Mr Reutlinger's proposals. "It is shameful to talk of new sacrifices from Sabena personnel, when the new management has still done nothing to put an end to the war declared against workers by Mr Godfroid," said Mr Denis De Meulemeester, of the FGTB socialist union. He said Sabena staff had made sacrifices, in terms of both pay cuts, and greater flexibility. The union said reinstatement of its collective bargaining agreements, withdrawn by the management last November, was a "precondition" to further discussions.

Mr Reutlinger warned that competition in European air travel would continue to increase, especially after liberalisation of the market in 1997.

Sabena was hampered in its ability to cope with such change by falling revenues per passenger, insufficient load factors, excessively high costs, a fleet that was too diverse, and a poorly-developed long-haul network, he said.

Crédit Agricole buys 51% of Indosuez

By David Buchan and David Owen in Paris

Crédit Agricole, the French mutual bank, is to pay Compagnie de Suez FFr6.3bn ($1.2bn) in cash to buy an initial 51 per cent stake in Banque Indosuez with options to buy the rest by 2000.

Crédit Agricole, which has a relatively minor foreign presence despite being the largest French bank, said the deal would give it a new international dimension. For its part, the Suez group said the agreement, which values Indosuez at a total of FFr11.85bn, would more than wipe out its current debt, leaving it spare cash to develop its other financial and industrial activities.

Under the terms of the deal, Crédit Agricole will take over 51 per cent of Indosuez this summer, and from July 1997 will get an option to buy a further 29 per cent at the same price. Suez will keep 20 per cent of Indosuez until 2000 when it has the option to sell out completely to Crédit Agricole.

Mr Gérard Mestrallet, Suez chairman, said the sale was amply justified by Crédit Agricole's offer, which was above the present valuation of Indosuez's net assets at FFr10.8bn.

He said that since taking over the Suez group last summer he had tried hard to give a restructured Indosuez a future within the group. The increasingly gloomy view taken by international rating agencies of French banks had made this harder, with Indosuez facing higher costs of raising money on the interbank market.

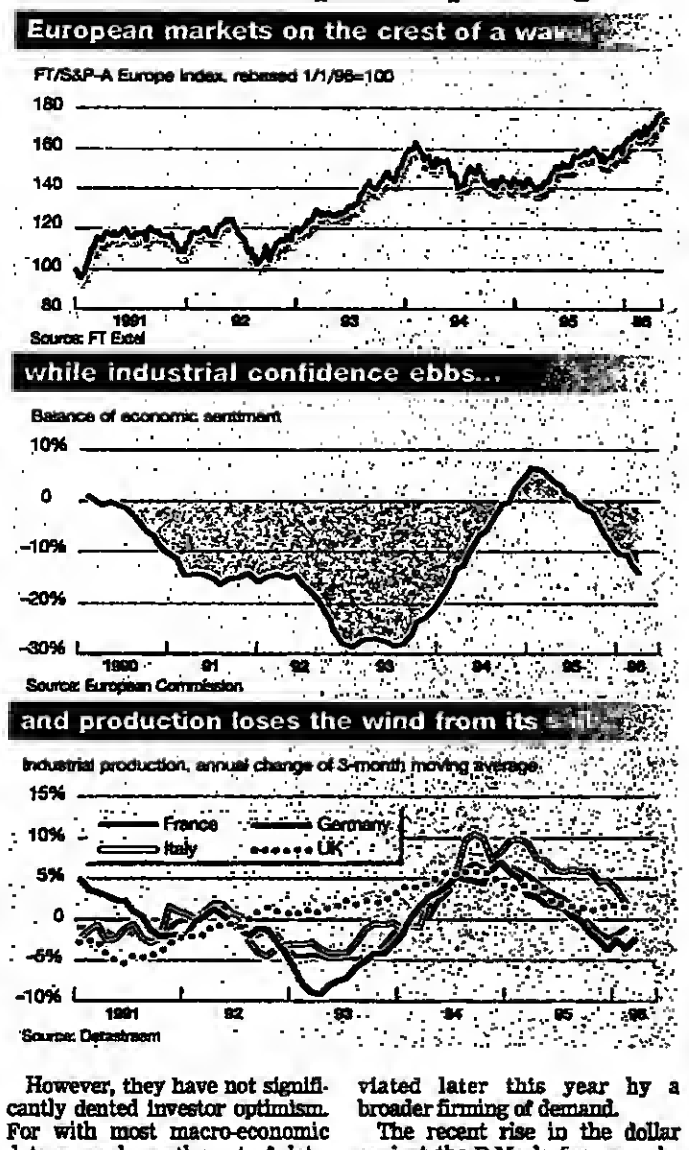
In March, Indosuez reported a return to overall profitability in spite of a decline in operating income from FFr2.81bn to FFr2.13bn.

Crédit Agricole, which is widely called "the green bank" because of its agricultural roots, has a reputation for conservative lending policies. It has been less exposed to some of the excesses suffered in recent years by some of its banking rivals. Consequently, it is one of the few French banks with the money to make acquisitions.

The bank reported net income in 1995 of FFr6.7bn. Since opening its first foreign office in Chicago 17 years ago, it has expanded steadily abroad, often by alliances rather than acquisitions. It owns about 30 per cent of Banco Ambrosiano Veneto, one of Italy's largest banks, and recently bought a stake in Banco Bisel of Argentina.

Investors predict 'jam tomorrow' despite corporate gloom

Europe sends out mixed messages



Sweden's SKF, the world's leading supplier of roller bearings, gave Europe-watchers reason to reflect when it unveiled its results last week.

The company announced that weaker European demand had triggered a 10 per cent fall in profits in the first quarter of this year and warned it saw little sign of an upturn in Europe soon.

From some perspectives, comments like those of SKF are hardly surprising, given the slowdown in growth in European countries this year.

However, SKF's gloomy view appears to offer a stark contrast to that of European investors.

Although the recent spate of European company results have painted a patchy picture of corporate performance, Europe's stock markets have been improving: since the start of the year, the FT/S&P world index for European stock markets has risen about 10 per cent.

This has been partly triggered by falling interest rates. Two weeks ago the Bundesbank cut its discount and Lombard rates half a point to 2.5 per cent and 4.5 per cent respectively.

Rising liquidity, and hopes that reform in European corporate culture will increase shareholder value have also helped.

However, another factor has been a growing conviction that conditions in Europe will improve later this year.

As Mr Richard Davidson, European equity strategist at Morgan Stanley, says: "We have strong foundations for economic recovery in the second half of the year and that is being built into stock market valuations."

Set against recent data, this optimism seems odd. For after under-estimating the pace of growth in Europe in 1994, most economists have been wrong-footed by its slowdown since the middle of last year.

In Germany, government economic advisers this week slashed their projections for 1996 growth to 0.5 per cent from their 2.5 per cent forecast six months ago. The reduction comes amid stagnation in the German economy.

France has also recently notched up two very weak quarters of growth, although the pace of industrial decline has eased recently. Meanwhile, the slowdown has spread to the "soft-currency" countries, such as Italy, Spain, the UK and Sweden – a shift which has been particularly striking given their startling export performances in the past two years, helped by their currency weakness.

These macro-economic figures have darkened the business mood: the European Commission's monthly survey of 23,000 companies showed business confidence continued to fall in March.

However, they have not significantly dented investor optimism. For with most macro-economic data several months out of date, most economists remain convinced the economic climate should recover during the summer and autumn.

The optimism rests on three factors. The first is a belief that the slowdown is largely due to destocking. For just as the upbeat 1994 left economists over-estimating growth last year, companies seem to have over-estimated demand last year. Consequently, when demand slowed in 1995, companies were left with unsold stocks. Over the winter this apparently led them to slash orders. The widespread hope is that once this stock "bubble" has been shifted, orders will pick up.

Measuring this process is difficult, as economic data on stocks are notoriously poor. Surveys show many companies still reporting excess stocks, with levels in Germany apparently rising.

Nevertheless, optimists can take comfort from a few hints of change. Although pulp and paper companies, for example, were badly hit by a stock overhang during the winter, prices have recently stopped falling.

The chemical sector may also be through the worst: European production slumped at the end of last year after heavy stockpiling last summer, but some sectors have recently reported a small rise in demand.

The second reason for optimism is a hope that even if companies remain badly overstocked, their pain should be alleviated later this year by a broader firming of demand.

The recent rise in the dollar against the D-Mark, for example, has raised hopes of an improvement in European exports, particularly if growth in the US and Japan picks up. The weak level of domestic investment in recent years has left some economists predicting a considerable "catch-up" in domestic demand for capital goods.

There are even hopes that consumer spending will gradually improve. The growth may not be dramatic: unemployment is still rising in countries such as Germany and populations are being squeezed by fiscal tightening in the run-up to monetary union. But spending has picked up in France and the UK, while the money supply – a key indicator of activity – has been rising across the Continent.

The third reason for optimism is the stance of the European monetary authorities. For with monetary conditions in Europe now looser than at any point for 25 years, most economists remain convinced the European central banks are prepared to act to prevent a long downturn.

Some companies such as SKF clearly remain unconvinced by this reasoning. And market analysts remain choosy about which companies to back.

However, these warnings have not yet been enough to persuade investors to abandon their "jam tomorrow" theories – even if many will be poring over every economic signal from Europe this summer.

Gillian Tett

UK to block bids for generators with 'golden share'

By David Wighton, Patrick Harverson and Simon Holberton in London

The UK government yesterday delivered another shock to Britain's electricity industry and the City of London when it signalled it would block bids for National Power and PowerGen until there was increased competition in generation in England and Wales.

The department of trade and industry said it would retain its "golden" shares in the two companies, which prevent any single investor owning a stake of more than 15 per cent.

Although there had been hints that the government would consider using its powers to block bids, the statement stunned the City of London and sent share prices tumbling.

National Power, which has received a bid approach from Southern Company of the US, fell 32p to 527p, while PowerGen dropped 12p to 536p.

There was widespread bafflement at what was seen as another arbitrary lurch in the UK government's approach to the electricity industry in particular and competition policy in general.

If the government were to block a bid with its golden share it would be the first time this power has been used.

One PowerGen executive said: "This is a game that doesn't have any rules; you get the feeling that they are making it up as they go along."

Some analysts suggested the move could also affect international investors' attitude to the forthcoming privatisations of Railtrack and British Energy. "It has increased the risk premium for foreigners investing in the UK," said one analyst.

The government's move followed the announcement by Southern Company, the US utility, that it would be interested in taking over National Power.

The City of London struggled to interpret the DTI's highly ambiguous statement, but it is understood the government wants a period of stability for the whole electricity market following the wave of bids over the past year.

It is unclear whether the government would look to block further bids for any of the regional electricity companies (recs) where its golden shares have already lapsed.

It is believed that a US utility is lining up a bid for Midlands Electricity, the rec that was the subject of an agreed offer by PowerGen which was blocked by the government.

The PowerGen bid and an offer by National Power for Southern Electric, another rec, were blocked last week by Mr Ian Lang, the trade and industry secretary, against the recommendation of the Monopolies and Mergers Commission.

Mr Lang concluded that combining the two generators with large electricity distributors would be against the public interest given the inadequate competition in the generation market.

This was seen as leaving National Power vulnerable to a bid, though some observers argued that Southern Company could face similar regulatory problems because it already owns South Western Electricity, one of the smaller recs.

Lex, Page 14; US utilities line up, Page 21

Nestlé result outshines Unilever

By Roderick Oram, Consumer Industries Editor

Nestlé outshone Unilever yesterday as the two leading European consumer goods makers unveiled stronger than expected first-quarter results.

The Swiss group, the world's largest food processor, reported a 4 per cent rise in sales to SFr13.5bn ($11.2bn). Excluding adverse currency factors, sales rose 8 per cent by value and 5 per cent by volume excluding acquisitions. They accelerated as the quarter progressed, it said.

A rebound in instant coffee sales, as raw bean prices fell back from last year's spike, and a strong performance from other higher margin products, such as mineral waters, were behind the rise, analysts said. Nestlé did not report profits yesterday or elaborate on its performance.

Unilever's volume growth was only 2.3 per cent worldwide, reflecting its heavy weighting of mature products such as margarine, detergents and leaf tea.

Excluding special factors, sales volumes in Europe and North America fell by about half a percentage point, analysts estimated, leaving emerging markets to supply the growth. Ice cream, one of the group's key high-margin, fast growing products, makes its biggest contribution to profits during the summer.

"Product mix works against Unilever almost every time," said Mr Tim Potter, analyst with Merrill Lynch in London.

But the Anglo-Dutch group scored on profits thanks to heavy restructuring programmes over recent years. European operating profits were £253m, down £1m. But the latest figure included a £15m charge on its beef products in the UK, because of BSE, and some minor restructuring costs so the underlying rise was about 6 per cent.

"The omens are there for European margins to continue to recover" but the group's lack of sales growth continued to concern investors, an analyst said.

Unilever's group pre-tax profits for the quarter were £513m at current exchange rates, up 12 per cent. Sales rose 7 per cent to £7.69bn. The results were at the higher end of analysts forecasts.

Most of the profits growth came from a doubling of the contribution from North America to £102m. Much of that gain came from a rebound in tea profits.

Lex, Page 14; Results, Page 22; Nestlé forecast, Page 16

Nestlé predicts return to profits growth this year

By Roderick Oram, Consumer Industries Editor

Nestlé, the world's largest food processor, forecast yesterday a return to profit growth this year after 1995's setback from adverse exchange rates and raw material price rises, particularly for coffee.

"For the current year, we expect sales growth to resume as well as a good increase in our results," Mr Helmut Maucher, chairman and chief executive wrote in the annual report released yesterday.

Pre-tax profits fell from SFr5.07bn to SFr4.49bn ($3.59bn). Analyst are forecasting they will rebound to about SFr5.5bn this year. An important factor will be restored margins and volumes from soluble coffee, which remains Nestlé's largest single source of profits. The group trading margin slipped last year from 9.9 to 9.7 per cent, reflecting sharply higher coffee bean prices, which peaked at the start of the year. Despite this pressure, the European margin improved from 8 to 8.4 per cent due to a cut in restructuring costs.

The trading margin in North America was stable but it fell in South America, mainly because of Mexico's economic crisis, to give an overall decline of 0.6 of a percentage point to 10.5 per cent.

Mr Maucher said Nestlé had achieved its strategic goals in relatively new product areas such as mineral water and ice cream. Its spending on acquisitions fell to SFr1.62bn last year from SFr2.22bn a year earlier.

The most important purchases last year were in ice cream, notably Conelsa in Spain, some companies owned by Pacific Dunlop of Australia, Dolce in Egypt and Campina in the Netherlands. Despite the purchases, Nestlé remains a distant second to Unilever, the world's largest ice cream company, analysts said.

Overall, group capital spending last year edged ahead to SFr3.06bn from SFr3.03bn equal to 5.4 per cent of sales, up from 5.3 per cent a year earlier. Capital spending increased in Europe to increase capacity in breakfast cereals and mineral waters. The group continued to invest in eastern Europe but spending fell in north and south America.

Heavy restructuring and rationalisation over recent years were bearing fruit, Mr Maucher said.

Lex, Page 14

France to offer 57% AGF stake

By Antonia Sharpe

The French government is to test the appetite of international investors for French privatisations by offering for sale its 56.9 per cent stake in Assurances Générales de France, the insurance group.

The FFr10.8bn ($2bn) offering, which is being arranged by Crédit Commercial de France and Société Générale, is expected to be announced either today or on Monday. CS First Boston and J.P. Morgan are set to be joint lead managers of the international tranche of the sale.

The difficult sales of Usinor Sacilor, the steel company, and Pechiney, the aluminium packaging company – and the poor share price performance of privatised companies – had severely eroded investor confidence in French privatisation by the end of last year.

In an attempt to restore that confidence, the government changed tactics and sold most of its remaining 5 per cent stake in Total, the oil group, through its first "bought deal". The smooth execution of the FFr3.1bn transaction, where banks used their own capital to buy the shares from the government before selling them on to investors at a slight discount to the market price – plus the resilience of Total's share price afterwards – has gone some way to achieving that goal.

In addition, the rise in Pechiney's share price since its privatisation last December has shown investors that it is possible to make money on French privatisations.

However, observers said the government would have to offer the AGF shares at an attractive discount to investors in order not to alienate them once again. AGF shares closed yesterday down FFr1.60 yesterday at FFr139.50.

The government aims to raise about FFr20bn from privatisations this year. Other candidates include GAN, another insurance company, Crédit Local, and possibly France Télécom.

Son to succeed chairman at Danone

By David Owen in Paris

Danone, the French foods group, yesterday appointed Mr Franck Riboud chairman to succeed his father Antoine, one of the best-known figures in French business.

The appointment had been long expected – Franck was named number two to his 77-year-old father nearly two years ago. But the decision to leave a member of the Riboud family to lead Europe's largest biscuit-maker will still spark interest: the shares are widely held, with no individual or group owning a controlling interest.

Shares in the company, whose brands include Jacob's biscuits and Lea & Perrins sauces, rose sharply yesterday to FFr800 – a gain of FFr19, or 2.4 per cent – although analysts attributed this more to the strong results reported by other food groups than to Mr Riboud's appointment.

The shares had dropped sharply following Mr Riboud's appointment as vice-chairman and chief operating officer in August 1994, although this may have been due at least in part to the dip in first-half profits that the group reported at the same time.

AFP

Best men for the job: Antoine (left) and Franck Riboud yesterday

In February, Danone reported a 39 per cent decline in full-year net profits to FFr2.13bn ($411m) from FFr3.52bn, following a FFr1.8bn exceptional charge. This was to cover the restructuring of the group's non-French European businesses during the next three years. The results also suffered from higher French tax rates.

Since his emergence as number two, Franck has overseen an acceleration in the company's expansion in Asia, Latin America and South Africa. It recently bought a 25 per cent stake in Aymore, the Brazilian biscuit-maker. The group, whose annual turnover is approximately FFr80bn, plans to achieve non-European sales of FFr30bn within five years.

Shortly after Franck was named as chief officer, Mr Michel David-Weill, a Danone vice-chairman, said he would be "judged on his own merit".

Danone said yesterday its board had decided Mr Riboud was the best man for the job. His appointment was "not because he is called Riboud".

Mr Antoine Riboud, who became chairman and chief executive of BSN (Danone's former name) exactly 30 years ago, came to prominence in the late 1960s when the company launched an abortive bid for Saint-Gobain, the French glass-maker.

Omnitel plans L600bn network extension by end of year

By Andrew Hill in Milan

Omnitel Pronto Italia, Italy's second digital mobile phone company, said yesterday it planned to invest L600bn ($383m) in 1996, extending its network to 60 per cent of the country and 85 per cent of the population by the end of the year.

Omnitel, which launched its full commercial service last December, recorded sales of L46bn last year, L30bn of which came from customers and the sale of telephones. The group reported a net loss of L128bn for 1995.

Mr Francesco Caio, Omnitel's chief executive, said the company was on course to break even in 1998 as laid out in its business plan, and that it was aiming for a total of 400,000 subscribers by the end of this year.

Telecom Italia Mobile, the state-controlled mobile phone operator, and Omnitel are locked in a fierce promotional and legal battle over what is one of Europe's fastest growing mobile communications markets. TIM already has 600,000 clients for its digital network – with which Omnitel competes – and 3.56m clients for its analogue network, over which TIM has a monopoly.

Mr Caio yesterday declined to update last month's figure of 130,000 Omnitel clients, but he said: "Growth since then has been in line with expectations." The group took "enormous satisfaction" from the fact that more than 35 per cent of new digital mobile phone customers chose Omnitel.

Last month, TIM, which is planning to invest L1,300bn in 1996, announced a series of new tariffs for its digital network. TIM is also using the Italian courts to check whether Omnitel met the conditions on territorial coverage which obliged TIM to open its network to Omnitel clients this year.

Competition in the Italian mobile phone sector is likely to intensify in the next few years. Earlier this week, Mediaset, the media group controlled by Mr Silvio Berlusconi, and Albacom, British Telecommunications' joint venture with Banca Nazionale del Lavoro, linked up with the intention of competing for a third mobile telecoms licence in the next two years. Analysts believe there is room for at least three operators on the Italian market.

Omnitel is not listed. It is 41 per cent owned by Olivetti, the computer group diversifying into telecoms.

NEWS DIGEST

Battle for Tampella takes fresh turn

The battle for control of Tampella, the Finnish engineering group, took a new turn yesterday when Rauma, another Finnish engineering company, bought a 14 per cent stake for FM185m ($38m). Rauma signalled it was willing to work with Sandvik, the Swedish tools and speciality steels group which last month bought a 26 per cent stake in Tampella from Kvaerner of Norway.

The Rauma move appeared to place a further obstacle in the path of Svedala, a Swedish mining and construction engineering equipment maker which launched a SKr1.83bn bid for Tampella shortly before the Sandvik purchase. Rauma and Tampella said they had agreed to co-operate on marketing and distribution for Tamrock, Tampella's rock drilling unit which is the chief focus of interest for both Svedala and Sandvik.

Sandvik said it was ready to take up to a 40 per cent stake in Tampella, but was not interested in a full bid, which it is not forced to make under local takeover rules.

Hugh Carnegy, Stockholm

Transocean close to merger

Transocean, the Norwegian shipping group, said yesterday it was in the final stages of talks on a possible merger and asked for its shares to be suspended.

Last week it said it had received a merger proposal from Sonat Offshore Drilling of Houston, and executives said talks had also taken place with other potential partners. Sonat Offshore Drilling offered 0.4004 of its shares and $5.34 in cash per Transocean share. At last week's exchange rate, brokers valued the offer at about NKr180 a share.

AFX News, Oslo

LVMH sales flat in first term

LVMH Moet Hennessy Louis Vuitton said first-quarter sales were FFr6.46bn ($1.25bn), a rise of 0.06 per cent. At constant exchange retes, the rise was 4 per cent.

AFX News, Paris

Valmet takes legal case charge

Valmet, the Finnish paper making machine manufacturer, said it would take a FM110m ($22.6m) extraordinary charge in its results for the four months to April, to supplement the FM80m set aside in 1989 in connection with the legal proceedings between Valmet and the bankrupt Waertsilae Marine Industries.

The group said the decision to increase the charge was made with consideration to the uncertainty and costs related to the drawn-out legal proceedings, as well as to the settlement proposals of the various parties.

AFX News, Helsinki

CFF shares find no buyers

Shares in Crédit Foncier de France, the troubled French mortgage group, remained suspended yesterday. The shares had previously closed at FFr62.95, but there were no offers at FFr51.25, the lowest they could be priced according to stock exchange rules.

AFX News, Paris

Gehe plans unchanged payout

Gehe, the German drugs distributor, said it would ask shareholders to approve an unchanged dividend of DM10 per share at the annual meeting on June 12. New shares, from the capital increase in June last year, would receive a dividend payment of DM5 per share.

AFX News, Stuttgart

Alusuisse-Lonza to buy Wheaton of US for $400m

By Christopher Brown-Humes in London

Alusuisse-Lonza, the Swiss aluminium, packaging and chemicals group, is set to become the world's biggest supplier of packaging to the pharmaceutical industry after agreeing yesterday to buy Wheaton of the US for more than $400m.

The move continues the rapid expansion of Alusuisse's pharmaceutical packaging activities since its purchase of Canada-based Lawson Mardon in 1994.

Alusuisse said the acquisition would more than double its share of the global pharmaceuticals packaging market – from 3 per cent to about 6.5 per cent – while creating valuable synergies with existing operations.

It would also broaden the group's product range because of the privately-owned Wheaton's strong position in glass and plastics packaging. These would complement Alusuisse's pharmaceuticals packaging activities, which are based on folding carton board and so-called "clean-room" products, such as blister packs. A substantial part of the group's chemicals operations is pharmaceuticals-linked.

Mr Theodor Tschopp, Alusuisse chief executive, said the acquisition represented "a significant step in our long-term strategy to expand our packaging activities in the pharmaceutical and personal care markets".

He said the purchase, to be funded from Alusuisse's cash and credit lines, would be earnings neutral in the first year, but would add to earnings thereafter. The purchase price represents the total consideration for Wheaton, including an undisclosed amount of debt.

The group has announced several smaller acquisitions in pharmaceuticals packaging, including the still-to-be-finalised purchase of Mebane Packaging, a leading folding carton supplier to the US pharmaceutical industry, for $92m. Including Wheaton, pharmaceuticals packaging will now contribute about SFr700m ($560m) of Alusuisse's annual packaging turnover of SFr3.5bn. The group also has food, cosmetics and tobacco packaging activities.

Wheaton, based in Millville, New Jersey, employs nearly 6,000 people at more than 40 sites in the US, France, Mexico, Puerto Rico, Brazil and China. The group had 1995 turnover of $450m.

Escom cuts 120 jobs as production ends at HQ

By Michael Lindemann in Bonn

Escom, the troubled German computer maker and retailer, yesterday said it would stop production at its German headquarters in Heppenheim – a further step in its efforts to restructure following net losses last year of DM125m ($81.5m).

The company said it would use other production sites in the Netherlands and the Czech Republic to assemble computers, and would also use outside suppliers to survive in a business where the prices for components such as processors were extremely volatile.

Closing the site in Heppenheim, which will involve the loss of about 120 jobs, is a further setback for the German computer group, which said yesterday that it would now concentrate on its retail activities, the core of its business.

Last month the company called back Mr Helmut Jost, a former management board member, to take over as chief executive.

As a first step, Mr Jost sold Amiga Technologies, an ill-fated subsidiary which was developing set-top boxes for interactive television, and was one of a number of businesses into which Mr Manfred Schmitt, the founder and former chief executive, took the group. Mr Schmitt still holds a [illegible] per cent stake in the company.

Escom could not say how much it would save by closing production in Heppenheim, adding only that it was working on a "comprehensive restructuring programme".

This suggests that it may withdraw from a number of other activities.

Dutch chemicals group falls 40% in first period

By David Brown in Amsterdam

DSM, the Dutch chemicals group, saw its first-quarter net profit slump to Fl 205m ($119.5m) from the Fl 356m during the same period a year earlier. The group nevertheless reiterated an earlier forecast that 1996 would be "a good year" overall.

DSM said the decline in the year-on-year net figure was caused by lower margins for hydrocarbons, polymers and acrylonitrile, which better earnings in fertilisers, caprolactam, melamine and resins could not offset.

The company stressed that the earnings trend had since been reversed.

The first-quarter result is Fl 61m up on the fourth quarter of last year, and there has been an upturn in the previously weak market for polymers.

DSM said a further improvement in polymer prices was expected in the second quarter, reflecting a healthier balance between supply and demand. The markets for its other main products would remain roughly unchanged.

However, DSM said it had been forced to extend the scheduled six-week maintenance shutdown of a steam cracker by several weeks. The extension, which began in March, would depress second-quarter results.

The group reported overall turnover of Fl 2.6bn for the first quarter, which represents a decrease on 4 per cent on the Fl 2.7bn achieved a year earlier. This was caused by a 6 per cent drop in average sales prices while higher volumes, especially in polyethylene, caprolactam, melamine and fine chemicals, only partially offset.

The group said its operating result declined from the Fl 502m achieved in the year-earlier period to Fl 294m. Capital expenditures increased from Fl 96m to Fl 540m, mainly as a result of DSM's acquisition of Chemie Linz, a fine chemicals concern in Austria, and Nitriflex, an elastomers operation in Brazil.

PROFILE:

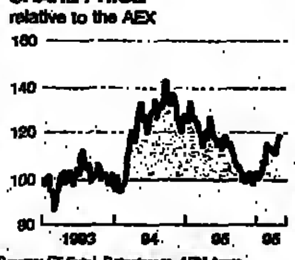
DSM

Market value: $3.6bn   Main listing: Amsterdam

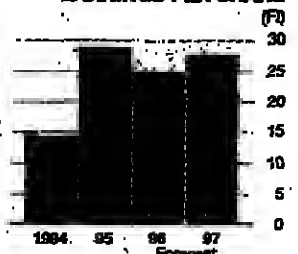
Historic P/E	5.81
Gross yield	4.65%
Earnings per share	Fl 29
Current share price	Fl 174.8

Chairman Simon de Bree

SHARE PRICE relative to the AEX



EARNINGS PER SHARE (Fl)



Source: FT Extel, Datastream, ABN Amro

North Sea Ferries seeks closer ties with P&O

By David Brown in Amsterdam and Geoff Dyer in London

North Sea Ferries, the joint venture between the UK's P&O and Nedlloyd of the Netherlands, is seeking to intensify its co-operation with its UK part-owner in response to growing competition from cross-channel operators on the Dover-Calais route.

Mr Peter van den Brandhof, North Sea Ferries' managing director, said one option might involve a sale by Nedlloyd of its 50 per cent share in the company to P&O – given that competition between the two owners' road transport operations might otherwise block the achievement of full synergies. However, he added that this was only one of several possibilities.

Nedlloyd yesterday confirmed that a sale of this shareholding was one of several options under review.

The Rotterdam-based transport group, which has no ferry operations of its own, has been under severe competitive pressure. It recently sold its Nedrill offshore drilling subsidiary to Noble Drilling Corporation in a $300m cash deal that formed part of its ongoing drive to concentrate on core activities.

It is understood Nedlloyd has discussed the sale of its stake with P&O, but that no detailed talks have taken place. P&O refused to comment on its relationship with Nedlloyd.

Mr van den Brandhof said NSF and P&O had discussed plans to co-operate on the design of information systems and the joint purchasing of fuel, foodstocks and duty free items.

NSF, a 30 year-old joint venture, sails 10 ships and operates a combined passenger/freight service between Hull in the UK and Europort and Zeebrugge in the Benelux. It also operates freight services linking the Benelux with Teesport. Overall, it carries 1m passengers and 350,000 freight units each year.

P&O is soon to approach the UK government with a proposal that it be allowed to open merger discussions with rivals on the cross-channel ferry market in light of the fierce competition prompted by Eurotunnel.

NSF has responded to the Eurotunnel threat by widening its offerings. Its traditional all-inclusive fare concept, combining passage with meals, has been complemented by a modular approach involving passage alone. The company says was able to increase passengers carried by 13 per cent in the first quarter as a result.

NEWS DIGEST

Degussa up despite decline in sales

Degussa, the German metals and chemicals group, said pre-tax profit rose 2 per cent, from DM183m to DM186m ($121m), in the first six months to March. The increase in earnings came despite a 5 per cent decline in sales, from DM7.5bn to DM6.9bn. Without including trade in precious metals, sales were down 7 per cent, the company said, although it did not provide details.

For the full year, Degussa said it expected a good result.

Pre-tax profit in the first six months was boosted by pleasing progress from the group's foreign units. It cited North America and Europe as particularly positive, offsetting the effect of the weak German market.

At its domestic parent company, pre-tax profit fell 7 per cent, from DM72m to DM67m. Sales from domestic activities fell 8 per cent to DM1.7bn, while sales from foreign activities were 5 per cent lower at DM3.3bn.

At its chemicals division, sales fell 4 per cent to DM2.5bn. Sales from the metals division fell 8 per cent to DM3.3bn, while sales at the precious metals trading division were unchanged at DM1.5bn. The pharmaceuticals division posted sales fell 1 per cent to DM1.07bn.

AFX News, Frankfurt

Elan earnings advance 35%

Elan Corporation, the Irish pharmaceuticals company, increased annual net profits 35 per cent from I£41.68m, or I£1.17 a share, to I£56.44m ($87.6m), or I£1.51. Turnover rose from I£118.9m to I£141.7m. Elan specialises in improving the way drugs are delivered by, for example, making slow release versions of popular medicines. Fourth-quarter product sales, including sales from contract manufacturing activities and products the company markets directly, rose 82 per cent to I£25.7m.

Royalties and fees in the fourth quarter increased 17 per cent, from I£12.7m to I£14.8m. The company said it expected its planned merger with Athena Neurosciences, the US biotechnology company, to be completed by June 30. Elan announced the merger in March. Under the terms of the agreement, Athena will become a wholly owned unit of Elan.

Daniel Green

Von Roll in armaments buy

Von Roll, the Swiss engineering group, will acquire a majority stake in Schweizerische Unternehmung für Waffensysteme, an armaments company owned by the defence ministry. The government has approved the deal, which will result in the creation, planned for the end of 1996, of a joint venture called Von Roll Betec.

The joint venture will result in the loss of 60 jobs and is expected to post SFr80m ($64m) a year in sales, Von Roll said, without disclosing financial details of the deal.

AFX News, Bern

COMPANIES AND FINANCE: ASIA-PACIFIC

PNB on brink of a cultural revolution

The Philippines' second-largest bank sees move to private status as an opportunity, writes **Edward Luce**

The Philippine National Bank's sarcophagus-like headquarters in Manila symbolises for many the enormity of the task confronting the management of the recently-privatised bank. With only weeks to go before PNB – the country's second-largest bank measured by total assets – is incorporated next month as a private bank by the SEC, the 8,000-strong staff is on the brink of a cultural revolution.

"We intend to convert PNB from a pyramid, government-style organisation into a flat, horizontal and efficient operation," says Mr Valentin Araneta, vice-president of PNB. "This involves redeploying backroom people to new branches in the provinces and retraining everybody to act like private sector employees with performance-related pay and so forth."

More to the point, PNB will have to "downsize" to a staff of about 6,000 within the next 12 months if it is to compete with its rapidly growing rivals. Metrobank, PNB's largest competitor, has a staff of about 4,000 yet, with more than 300 branches, has a more extensive network of outlets than PNB. With the government retaining 49.2 per cent of PNB (having reduced its stake from 57 per cent last December in a rights issue), the bank will have to be strong if it is to keep its former bosses at arm's length.

Yet most of the bank's staff view the ownership change as an opportunity rather than a problem. Freed from the often arcane regulations of government ownership, PNB will after June be able to purchase new computer equipment without having to wade through red tape for permission from the National Computer Board. Only 168 of the bank's 290 branches are on-line. This is expected to be rectified quickly.

Nor will the bank's personnel department be constrained by parsimonious civil service remuneration codes to hiring lower-grade staff. The bank, which already has considerable expertise in treasury operations owing to its network of 67 branches in Asia and the US, will now be able to compete for the best in the recently liberalised Philippine banking sector.

Most important, however, PNB will no longer have to seek the political green light from Congress when it wishes to increase its capitalisation or issue dividends to shareholders. With an authorised capital stock of only 10bn pesos (US$382.1m) – less than half Metrobank's – PNB is expected to double its capital stock shortly after its incorporation in June.

"To a certain extent the PNB is a quite a fossilised institution and has been punished by the stock market over the last two years for that reputation," says Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila. "Now that it is private PNB will be able to reap the upside of its share potential. We expect its share price to double this year."

With majority ownership in private hands, PNB will be able to take advantage of freedom of manoeuvre to invest in the banking industry's fastest growing sectors notably consumer lending and credit card services. Under government rules, PNB was formerly unable to grab a slice of the growing auto-loan and housing mortgage markets, owing to the fact that government assets can only be sold through public auction. It would have been politically unwise to conduct public bidding for repossessed cars and homes.

The bank, which will continue to benefit from its 50 per cent share of the country's overseas labour remittances – which last year totalled US$4.9bn – is also planning to divest non-performing assets. These include its former headquarters in Makati (worth around 500m pesos) and its bad loans, which make up 7 per cent of total interest assets. Analysts say that PNB will quickly put last year's anaemic net profits of around 2bn pesos behind it.

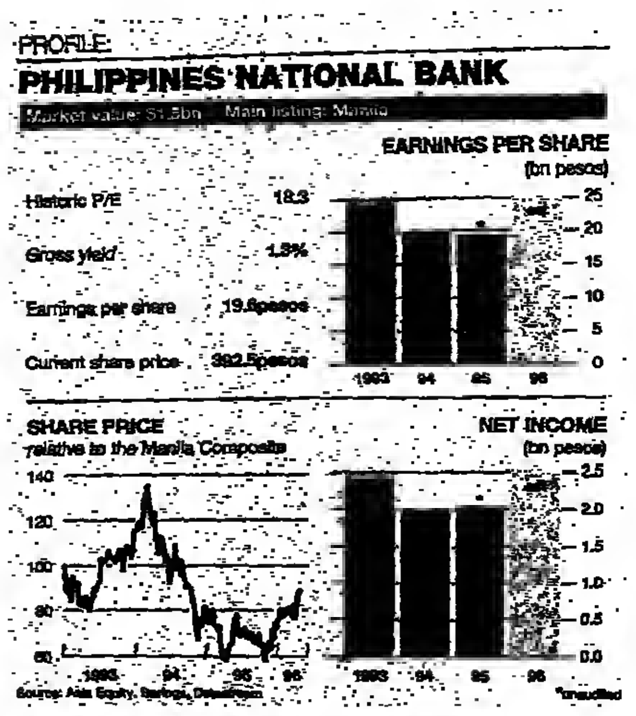
"PNB is in a good position to exploit the 30 per cent per annum growth in the Philippine banking sector," says Mr Alex Pomento, chief researcher at ING Barings in Manila. "It has a very low price to book value ratio of 1.5, compared with an average of 3 among the top banks, and it has the assets to invest in the fastest growth areas."

Although freed from formal state control, the bank will continue to profit from its close links with the government. State pensions, retirement funds and other government resources totalling 30bn pesos will remain on PNB's deposit books.

PNB's investment subsidiary will also retain a large slice of the municipal lending market, and will benefit from its close institutional relationship with government departments. The bank's investment arm is also muscling in on the private sector with its announcement recently that it will underwrite the initial public offering of Prime East, a housing development company, later this year.

"We are not at all daunted by becoming a private bank," Mr Araneta says. "It will be a difficult and quite unsettling process, but most of us would rather lose the stigma of being civil servants."

PROFILE: PHILIPPINES NATIONAL BANK



S Korean securities firms fall into the red

South Korea's 33 securities firms posted a combined pre-tax net loss of Won590bn ($758m) in the year to March 31, against a pre-tax profit of Won769.8bn a year ago, the Securities Supervisory Board said yesterday, Reuter reports from Seoul.

A report from the securities watchdog said the sluggish performance was mainly due to big losses on the book values of their shareholdings in line with bearish stock market trends during the period.

Due to the sluggish bourse, brokerage fee income fell sharply by 36.3 per cent to a combined Won1,180bn and earnings from stock transactions by 84.4 per cent to Won419bn from a year earlier, it said.

Firms built up Won146.5bn as provisions to account for losses on the book values of their stock portfolios.

Only 12 firms posted pre-tax net profit during the year. Dongwon Securities, formerly Hanshin Securities, topped the list with Won31.2bn followed by Daewoo Securities with Won18.9bn and Shinyoung Securities with Won10.9bn.

Daishin Securities had the biggest pre-tax net loss of Won109.8bn, followed by Hyundai Securities with Won86.9bn and LG Securities with Won78.6bn, the report said.

NEWS DIGEST

Macquarie Bank plans July debut

Macquarie Bank, Australia's only substantial investment bank, announced yesterday that it expected to make its stock market debut in July or August this year. Its market capitalisation is likely to be about A$1bn (US$789.2m).

The bank confirmed that it did not intend to seek new capital as part of the listing process, pointing out that the size of its current capital base meant it had no need to raise funds. The total capital base at end-September was A$829m, and the tier one capital adequacy ratio was just over 9 per cent.

Macquarie also said no existing shares would be sold, and that it would be seeking a "compliance" listing from the Australian Stock Exchange. At present, Macquarie Bank has around 800 shareholders made up of about 100 institutions and 700 staff. The largest institutional shareholder is Hill Samuel, of the UK, with a 14.1 per cent stake.

The bank has indicated its intention to seek a stock market listing for some time, and in December, when it released interim figures, it suggested this would take place in the latter half of 1996. But it has always entertained the possibility that some existing shareholders would want sell shares as part of the listing process. Yesterday, Macquarie said that, in the event, shareholders were happy to hold the stock. But it still felt a listing was logical given its size, and that this would provide a liquid market for its shares.

The bank's shares currently trade in a limited fashion between professional investors. At recent prices of approximately A$6.90, the bank is capitalised at about A$987m.

Macquarie said it expected to report its annual profits for 1995-96 on June 3, just ahead of the listing. Last year, it made A$76.1m after tax. *Nikki Tait, Sydney*

Fertilisers group ahead

Nagarjuna Fertilisers, the Indian chemicals group, reported net profits up 14.6 per cent to Rs2.21bn ($63.87m) in the year to March 31. Net sales increased by 4 per cent to Rs8.82bn. Besides marketing ures produced at its own factory at Kakinada in Andhra Pradesh, the company has emerged as a large importer of fertilisers and chemicals.

Although earnings per share rose from Rs5.83 to Rs6.68, Mr K.S. Raju, vice-chairman and managing director, said the dividend should be maintained at Rs1.80 a share to conserve resources. The company said it would be building a 2.3m tonne steel plant and a 1,000MW power complex in Karnataka besides expanding the capacity of the gas-based Kakinada fertiliser factory to meet "the challenge in the event of the decontrol of urea prices". *Kunal Bose, Calcutta*

CESC shows 28% profits gain

CESC, the utility with exclusive right to produce power for distribution in Calcutta, increased its net profits by 28 per cent to Rs877m ($25.35m) in the year to March 31, on sales up 21.56 per cent to Rs11.16bn. This reflected benefits of strong growth in demand for power in the company's command area and improved capacity utilisation of power stations.

The company said earnings would have been higher still but for interest costs rising 40.9 per cent, to Rs1.05bn. It has raised its borrowings to finance a new 500 MW coal-fired power plant at Budge Budge. The plant will start generating power later this year. Earnings per share rose to Rs20.20 from Rs12.70.

CESC said it had promoted Integrated Coal to undertake the mining of non-coking coal at Sarshatali block, in West Bengal's Raniganj coal belt, which has an estimated reserve of 80m tonnes. This will require an investment of Rs3.8bn. The raising of coal at Sarshatali will reduce CESC's dependence on outside sources for coal supply.

The company has received shareholder approval to raise $80m, plus a maximum oversubscription of $20m, through a bond issue abroad "for strengthening its power distribution and transmission network". *Kunal Bose*

Resources arm for RMB

South Africa's Rand Merchant Bank yesterday announced the launch of a new mineral resources arm to be known as RMB Resources. RMB said in a statement that the new division would combine extensive experience in natural resources with skills in consultancy, corporate finance, investment banking, trading and hedging strategies. *Reuter, Johannesburg*

Transformation of an Indian banking traditionalist

The once conservative private bank is pursuing aggressive policies, writes **Kunal Bose**

After a somewhat lacklustre early history, the Bank of Rajasthan (BoR) is now outstripping its competitors: last year, it saw deposits grow by one-third.

Mr N. M. Chordia, managing director and chief executive, explains: "The Bank of Rajasthan, perhaps the most conservative of all the private sector banks in the country, grew slowly in the first 50 years. Its big break came in September 1993 when the Bangurs, a leading business group with diversified interests, acquired a majority stake and took control of the management." The change of ownership has made BOR a "lot more aggressive in mobilising deposits and in widening the client base", according to Mr Chordia. "In the pre-Bangur times, the bank was happy doing business mostly with the traders and small and medium-sized business groups," he says.

During the year ended March 31 1995, BoR's deposits grew by nearly 33 per cent to Rs20bn ($578.87m) and advances were up 48 per cent to Rs10.18bn. In the financial year just ended, officials think it will have achieved a deposit growth rate of 40 per cent. Advances in the current year are set to grow by about 60 per cent.

In both deposits and loans, BOR, has, in the last couple of years, been recording rates of growth that are much higher than the industry average.

Mr Chordia explains why the bank's advances are growing so fast: "Until a few years ago, our exposure to a single client had to be less than Rs50m. According to the Indian Banking Regulation Act, a bank cannot lend more than 25 per cent of its net worth [capital plus reserve] to a single client," he says. "In 1994-95, the bank's net worth rose to over Rs1bn from Rs445m. As a result, we can now give credit of up to Rs250m to a single client. Our exposure ceiling to a business group with more than one account is Rs500m."

Once the Bangurs, who own more than 60 per cent of the bank's equity, started participating in the management, BOR raised fresh capital by way of a rights issue at a premium and also by offering shares to its employees. "Moreover, since our profit in 1994-95 rose sharply to Rs500m from Rs150m, we could make adequate provision for reserves," Mr Chordia says. "In the first half of the current year, the bank earned a net profit of Rs389m and the target for the full year is Rs850m."

Armed with a capacity to lend a reasonably big amount to a single client, the bank is now winning the accounts of the Marwaris, a merchant caste. "The Marwaris hailing from Rajasthan have promoted a large number of successful industries all over the country. Since BoR has its roots in Rajasthan, we are looking at the Marwari enterprises as our niche market," says Mr Chordia.

The BoR attempt to do business with the big groups comes at a time when most Indian banks cannot find enough money for the corporate sector. Therefore, it has not been difficult for BoR to pick up good corporate clients.

It is not only the client base that has changed under the new management. Computerisation has been given priority, and a drive to develop business in regions outside the bank's traditional north India focus has started. Some things, however, have stayed the same. "When it comes to choosing new clients, we apply the same old conservative yardstick," a BoR spokesman says. "At 5.5 per cent, we have the lowest non-performing assets in the industry."

The insistence that every loan must be secured by a mortgage of immovable properties, plus a good monitoring system, has helped keep the level of non-performing assets low.

BoR, which is among the 10 most profitable banks in the country, has earned a 2.35 per cent return on assets against 0.86 per cent by State Bank of India, India's biggest commercial bank. Moreover, its spread (the difference between the cost of raising funds and the income from lending) of 4.11 per cent is among the best in the industry. The Indian banks in general have a low capital adequacy ratio. This has forced the Reserve Bank of India, the central bank, to stipulate that by 1996 the banks must have a minimum ratio of 8 per cent. BoR already had a ratio of 11.5 per cent by March 31 1995.

To consolidate progress, Mr Chordia wants to see the government create a level playing field for private banks. He says: "Our performance will be better still if we were not required to discharge the obligation of providing credit to the government-defined priority sectors at differential rates of interest. We are discriminated against. The new private banks are exempt from lending to the priority sectors at much lower than the commercial rates of interest."

However, BoR's priority sector advances, as a percentage of total advances during 1994-95, amounted to 22.94 per cent against the statutory requirement of 40 per cent. The government has not accepted the recommendation of the committee on financial sector reforms that the share of priority sectors in a bank's total lending should be brought down to 10 per cent from 40 per cent.

Nevertheless, BoR has continued its expansion drive. It has 287 branches, including 222 in north India. By the end of 1996, it will have opened 66 new branches. It is also undertaking merchant banking operations through a wholly-owned subsidiary.

BOSTON BRAZIL INVESTMENT FUND

Société d'Investissement à Capital Variable
RC Luxembourg B 41963 - 69 route d'Esch - Luxembourg

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the shareholders of BOSTON BRAZIL INVESTMENT FUND, SICAV that the SECOND extraordinary shareholders' meeting shall be held before notary, at 69 route d'Esch, on June 6, 1996 at 3.30 p.m. local time with the following agenda:

1. Amendment of Article 1 to replace the current name by "BOSTON INTERNATIONAL FUND II, SICAV".
2. Amendment of Article 3 sentence 1 to be reworded as follows:
   "The object of the Company is to place the funds available to it in various securities, money market instruments, deposits, liquid assets and other financial instruments, with the purpose of spreading investment risk and affording its shareholders the results of the management of the Company's portfolio".
3. Amendment of Article 5 paragraph 3 to be reworded as follows:
   "The initial subscribed capital was one million five hundred thousand (1.500.000.-) US Dollars divided into fifty thousand (50.000) fully paid Class B shares of no par value of Boston Brazil Investment Fund - Equity, currently Boston International Fund II - Brazil Equity".
4. Amendment of Article 5 paragraph 7 to start the paragraph with the following sentence "Shares are issued in registered book entry form" and to replace the reference to "four decimal places" by a reference to "three decimal places".
5. Amendment of Article 11 to delete the third paragraph.
6. Amendment of Article 12 paragraph 2 to complete it in fine by "except as otherwise agreed upon with the creditors".
7. Amendment of Article 16 paragraph 5 to substitute the reference to "fifteen days" by a reference to "five business days".
8. Amendment of Article 17 paragraph 2 line 11 to delete the reference "in Brazil" and to replace it by "...or is a holiday in Luxembourg or elsewhere".
9. Amendment of Article 17 paragraph 6 to be read as follows:
   "The value of the assets of the Company is determined for each Class of shares of each Subfund pursuant to the following rules which may be applied to one or several Subfunds, depending on the specific investment policy of the relevant Subfund and subject to the valuation guidelines that the Board of Directors shall determine from time to time".
10. Amendment of Article 17 paragraph 6 point 1) to be completed in fine as follows:
   "1) Securities listed on an official stock exchange or traded on another organized market or on an organized over-the-counter market may also be valued on the base of the last known sales price. If the same security is quoted on different markets, the quotation of the main market for this security will be used. If there is no relevant quotation or if the quotations are not representative of the fair value, the evaluation will be done in good faith by the Board of Directors or its designee with a view to establishing the probable sales price for such securities; unlisted securities are valued on the basis of their probable sales price as determined in good faith by the Board of Directors or its delegate".
11. Amendment of Article 17 paragraph 6 point 4 to add in fine:
   "Money market instruments held in certain Subfunds may be valued on the basis of the last available official quotation".
12. Amendment of Article 17 paragraph 6 to add in fine the following paragraphs:
   7) certificates of deposit held in certain Subfunds may be valued at their market value; other liquid assets are valued at their nominal value plus accrued interest;
   8) forward contracts are valued at the mid-market exchange rate prevailing on the Valuation Date for the remaining period to maturity of the contracts; such valuation is based upon the world-wide interbank currency markets".
13. Amendment of Article 17 paragraph 7 to be reworded as follows:
   "For the assets which are not denominated in the Subfund's Base Currency the conversion shall be done on the basis of the mid-market exchange rate or on the basis of the Median Exchange Rate (as defined in the Prospectus) for such currency on the Valuation Date pursuant to the Board of Directors' decision".
14. Amendment of Article 18 paragraph 1 to replace the reference to "eight business days" by a reference to "five business days".
15. Amendment of Article 19 paragraph 1 to be reworded as follows:
   "The Company shall bear all fees connected with its establishment as well as the fees to be paid to the Investment Advisor, the Investment Manager, the Custodian, the Administrative Agent, and the Registar and Transfer Agent as well as any fees due to any other service provider appointed by the Board of Directors".
16. Amendment of Article 23 paragraph 2 and 3 to be reworded as follows:
   "A Subfund may be terminated by resolution of the Board of Directors of the Company if the Net Asset Value of a Subfund is below US$ 10.000.000.- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic, military emergencies. In such events, the assets of the Subfund will be realized, the liabilities discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subfund. In such event, notice of the termination of the Subfund will be given in writing to registered shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions where the Company is registered as the Directors may determine. No share shall be redeemed or converted after the date of the decision to liquidate a Subfund.
   A Subfund may be merged with another Subfund by resolution of the Board of Directors of the Company if the value of its net assets is below US$ 10.000.000.- or its equivalent to any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, notice of the merger will be given in writing to the registered shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions in which the Company is registered as the Directors may determine. Each shareholder of the relevant Subfund shall be given the possibility, within a period of one month as of the date of the publication or the notice, to request either the repurchase of its shares, free of any charge, or the exchange of its shares, free of any charge, against shares of any other Subfund not concerned by the merger. At the expiry of this one month's period, any shareholder which did not request the repurchase or the exchange of his shares shall be bound by the decision relating to the merger".
17. Amendment of Article 23 to be completed in fine by the following paragraphs:
   "A Subfund may be contributed to another Luxembourg investment fund by resolution of the Board of Directors of the Company in the event of special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of prevailing market or other conditions, including conditions that may adversely affect the ability of a Subfund to operate in an economically efficient manner, and with due regard to the best interests of the shareholders, that a Subfund should be contributed to another fund. In such events, notice will be given in writing to registered shareholders and will be published in the Luxemburger Wort as well as in such other newspapers as determined from time to time by the Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of the publication or the notice to request free of any charge, the repurchase of its shares. At the close of such period, the contribution shall be binding for all shareholders who did not request a redemption. In the case of a contribution to a mutual fund, however, the contribution will be binding only on shareholders who expressly agreed to the contribution. When a Subfund is contributed to another Luxembourg investment fund, the valuation of the Subfund's assets shall be verified by an auditor who shall issue a written report at the time of the contribution.
   A Subfund may be contributed to a foreign investment fund only when the relevant Subfund's shareholders have unanimously approved the contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund".
18. To resolve that the Class B shares of BOSTON BRAZIL INVESTMENT FUND - EQUITY are becoming Class B shares of BOSTON INTERNATIONAL FUND II - BRAZIL EQUITY.

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represent and voting at the meeting.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

By order of the Board of Directors

BOSTON EUROPEAN BOND FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42216

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND I, SICAV is to be understood as a reference to the current BOSTON EUROPEAN BOND FUND, SICAV whose Board of Directors shall submit to the approval of an extraordinary shareholders' meeting of BOSTON EUROPEAN BOND FUND, SICAV, to be held prior to the merger, the transformation of the SICAV into an umbrella structure under the name of BOSTON INTERNATIONAL FUND I, SICAV

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON EUROPEAN BOND FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 3.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON STRATEGIC INCOME FUND, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME, in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, and BOSTON STRATEGIC INCOME FUND, SICAV;
- the reports of the Board of Directors of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND and BOSTON STRATEGIC INCOME FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON EUROPEAN BOND FUND

Société d'Investissement à Capital Variable
RC Luxembourg B 42.21B - 69 route d'Esch - Luxembourg

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the shareholders of BOSTON EUROPEAN BOND FUND, SICAV that the SECOND extraordinary shareholders' meeting shall be held before notary, at 69 route d'Esch, on June 6, 1996 at 9.00 a.m. local time with the following agenda:

1. Transformation of BOSTON EUROPEAN BOND FUND into an umbrella structure (SICAV à compartiments multiples) to be named BOSTON INTERNATIONAL FUND I, SICAV and subsequent amendments of the articles of incorporation as hereinbelow described.
2. Amendment of Article 1 to replace the current name by "Boston International Fund I, Sicav".
3. Amendment of Article 5 paragraph 1 to substitute the reference to "the net assets of the Fund" by a reference ot "the net assets of all Subfunds".
4. Amendment of Article 5 paragraph 2 to replace the reference to "ECU" by a reference to "US Dollars".
5. Amendment of Article 5 paragraph 3 to substitute "will be" by "was".
6. Amendment of Article 5 paragraph 7 to replace the reference to "four decimal places" by a reference to "three decimal places".
7. Amendment of Article 5 to add in fine the following paragraph:
   "Shares may be of different Subfunds as the Board of Directors shall determine and the proceeds of the issue of shares of each Subfund shall be invested pursuant to Article 3 hereof in transferable securities corresponding to such geographical areas, industrial sectors or monetary zones and to such specific types of equity or debt securities as the Board of Directors shall from time to time determine".
8. Amendment of Article 7 paragraph 5 sentence 1 to be reworded as follows:
   "Each share of each Class in each Subfund is entitled to one vote regardless of the Net Asset Value of such share within the relevant Class and Subfund".
9. Amendment of Article 7 to add in fine the following paragraph:
   "Resolutions concerning the interests of the shareholders of the Fund shall be taken in a general meeting and resolutions concerning the particular rights of the shareholders of one specific Subfund shall be taken by that Subfund's General meeting".
10. Amendment of Article 11 paragraph 3 to replace the reference to "non-European OECD countries" by a reference to "North and South America, Asia, Africa, Australia or New Zealand".
11. Amendment of Article 11 paragraph 4 to be reworded as follows:
   "In accordance with Article 43 of the law of 30 March 1988 relating to undertakings for collective investments, the Fund may invest up to 100% of the net assets of each Subfund in transferable securities issued or Member State or by public international bodies of which one or more E.U. member States are members or by the Argentine government on the condition that the respective Subfund's net assets are diversified on a minimum of six separate issues, and each issue may not account for more than 30% of the total net assets of the Subfund".
12. Amendment of Article 11 paragraph 5 line 1 to insert the reference to "more than 5% of the net assets of each Subfund".
13. Amendment of Article 11 to complete it in fine by the following paragraph:
   "In addition, the board of Directors shall be empowered to create at any time new Subfunds investing in transferable securities".
14. Amendment of the heading of Article 16 which shall read "Redemption and Conversion of shares".
15. Amendment of Article 16 paragraph 3 line 2 to read:
   "...Net Asset Value for the relevant Class of the relevant Subfund".
16. Amendment of Article 16 paragraph 5 to substitute the reference to "ECU" by a reference to "the Subfund Base Currency".
17. Amendment of Article 16 last paragraph to substitute "the total net assets of the Fund" by "the total net assets of a Subfund".
18. Amendment of Article 16 in fine to add the following paragraph:
   "Any shareholder may request conversion of all or part of his shares, with a minimum amount of shares which shall be determined by the Board of Directors from time to time, into shares of any class of the same Subfund or of any other Subfund, in each case at the respective net Asset Value of the shares being sold and the shares being purchased quoted on the day of conversion, by written instructions addressed to the registered office of the Fund or at the office of the person or entity designated by the Fund as its agent of the conversion of shares. The relevant Net Asset Value for each Class of shares of each Subfund shall be the Net Asset Value determined on the Valuation Date following the date of receipt of the conversion request or, if such date is a Valuation Date, the Net Asset Value determined on the subsequent Valuation Date. Such conversion shall be free of any charge except that normal costs of administration may be levied".
19. Amendment of Article 17 paragraph 2 and paragraph 3 indent 1-2-3-4, paragraph 6, 8 and 9 to substitute, where appropriate, the reference to "the Fund" by a reference to "Subfund" and to add, where appropriate, a reference to "each" or "such Subfund" in paragraph 10.
20. Amendment of Article 17 paragraph 3 line 3 to read:
   "...the issue, redemption and conversion thereof...".
21. Amendment of Article 17 paragraph 5 to be reworded as follows:
   "The Net Asset Value of each Class of shares of each Subfund shall be expressed in the currency of the relevant Subfund as a per share figure and shall be determined on any Valuation Date by dividing the value of the net assets of the Subfund corresponding to each Class of shares, being the value of the assets of the Subfund less its liabilities at the time determined by the Board of Directors or its duly authorised designee on the Valuation Date, by the number of shares of the relevant Subfund then outstanding in such Class".
22. Amendment of Article 17 paragraph 6 point 1) to replace the reference to "in non-European OECD countries" by a reference to "in North or South America, Asia, Africa, Australia or New Zealand";
23. Amendment of Article 17 paragraph 7 to substitute the reference to "ECU" by a reference to "the Subfund Base Currency".
24. Amendment of Article 19 paragraph 1 to be reworded as follows:
   "The Fund shall bear all fees connected with its establishment as well as the fees to be paid to the Investment Manager, the Investment Advisor, the Custodian, the Administrative Agent and the Registrar and Transfer Agent as well as any fees due to any other service provider appointed by the Board of Directors".
25. Amendment of Article 19 to complete it in fine by the following paragraphs:
   "Any costs incurred by the Fund which are not attributable to a specific Subfund will be charged to all Subfunds in proportion to their net assets. Each Subfund will be charged with all costs and expenses directly attributable to it.
   The Fund shall be liable for debts to its creditors on all its assets, regardless of the particular Subfund to which the debts may relate, except as otherwise agreed upon with the creditors.
   For the purpose of the relations between the shareholders, each Subfund will be deemed to be a separate entity with, but not limited to, its own contribution, capital gains, losses, charges and expenses".
26. Amendment of Article 20 to delete the last sentence of paragraph 1 and to add a 2nd paragrah worded as follows:
   "Financial statements for each Subfund shall be established in the currency in which it is denominated. To establish the balance sheet of the Fund, those different financial statements will be added together after conversion into the currency of the capital of the Fund."
27. Amendment of Article 22 paragraph 1 sentence 2 and 3 to substitute the reference to "ECU" respectively by a reference to "US Dollar (sentence 2) and to the Subfund Base Currency (sentence 3)".
28. Amendment of Article 22 paragraph 1 sentence 2 and paragraph 2 to substitute the reference to "the Fund" by a reference in paragraph 1 sentence 2 to "any Subfund" and in paragraph 2 to "the Subfunds".
29. Amendment of the heading of Article 23 to be read "Liquidation of the Fund or of a Subfund" and of Article 23 itself to be completed as follows:
   "A Subfund may be terminated by resolution of the Board of Directors of the Fund if the Net Asset Value of a Subfund is below US$ 10.000.000.- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic, military emergencies. In such events, the assets of the Subfund will be realized, the liabilities discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subfund. In such event, notice of the termination of the Subfund will be given in writing to registered shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions where the Fund is registered as the Directors may determine. No shares shall be redeemed or converted after the date of the decision to liquidate a Subfund.
   A Subfund may be merged with another Subfund by resolution of the Board of Directors of the Fund if the value of its net assets is below US$ 10.000.000.- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, notice of the merger will be given in writing to the registered shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions in which the Fund is registered as the Directors may determine. Each shareholder of the relevant Subfund shall be given the possibility, within a period of one month as of the date of the publication or the notice, to request either the repurchase of its shares, free of any charge, or the exchange of its shares, free of any charge, against shares of any other Subfund not concerned by the merger. At the expiry of this one month's period, any shareholder which did not request the repurchase or the exchange of his shares shall be bound by the decision relating to the merger.
   A Subfund may be contributed to another Luxembourg investment fund by resolution of the Board of Directors of the Fund in the event of special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of prevailing market or other conditions, including conditions that may adversely affect the ability of a Subfund to operate in an economically efficient manner, and with due regard to the best interests of the shareholders, that a Subfund should be contributed to another fund. In such events, notice will be given in writing to registered shareholders and will be published in the Luxemburger Wort as well as in such other newspapers as determined from time to time by the Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of publication or the notice in request, free of any charge, the repurchase of its shares. At the close of such period, the contribution shall be binding to all shareholders who did not request a redemption. In the case of a contribution to a mutual fund, however, the contribution will be binding only on shareholders who expressly agreed to the contribution. When a Subfund is contributed to another Luxembourg investment fund, the valuation of the Subfund's assets shall be verified by an auditor who shall issue a written report at the time of the contribution.
   A Subfund may be contributed to a foreign investment fund only when the relevant Subfund's shareholders have unanimously approved the contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund".
30. To resolve that the Class B shares of BOSTON EUROPEAN BOND FUND are becoming Class B shares of BOSTON INTERNATIONAL FUND I - EUROPEAN BOND.

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

By order of the Board of Directors

BOSTON BRAZIL INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 41963

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND II, SICAV is to be understood as a reference to the current BOSTON BRAZIL INVESTMENT FUND, SICAV whose Board of Directors shall submit to the approval of an extraordinary shareholders' meeting of BOSTON BRAZIL INVESTMENT FUND, SICAV, to be held prior to the merger, the change of its name into BOSTON INTERNATIONAL FUND II, SICAV

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON BRAZIL INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 5.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV to the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT in exchange for the contribution of all assets and liabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each cancelled Class B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAV AND BOSTON MULTI-CURRENCY FUND, SICAV;
- the reports of the Board of Directors of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAV AND BOSTON MULTI-CURRENCY FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

Amexco to issue credit cards through banks

By Richard Waters in New York

American Express yesterday announced its intention to issue charge and credit cards through banks in the US, a move which will bring to a head a long-simmering dispute with Visa, another leading payments brand.

The tussle between the two has already resulted in American Express filing a complaint with European antitrust authorities, a move which could be echoed in the US.

Success in winning over the banks, its traditional competitors, would open a new distribution route for American Express, enabling it to grow faster.

Visa passed a by-law in the US five years ago which prevents banks offering cards from rival payment groups, including American Express. The by-law does not cover MasterCard, another payment system which, like Visa, is owned by the banks that issue its cards.

The payment organisation had proposed a similar by-law in Europe, a move which provoked an official complaint from American Express. Yesterday Visa said it was no longer proposing an extension of the rule to Europe.

Mr Harvey Golub, American Express chairman, yesterday took the battle to the US, the rival card groups' home turf. At a speech at a card industry conference in Atlanta, be issued a direct invitation to bank executives to start issuing his group's cards. "The heart of the issue is freedom of choice. Only Visa's restrictive by-law stands between banks and their freedom to choose," Mr Golub said.

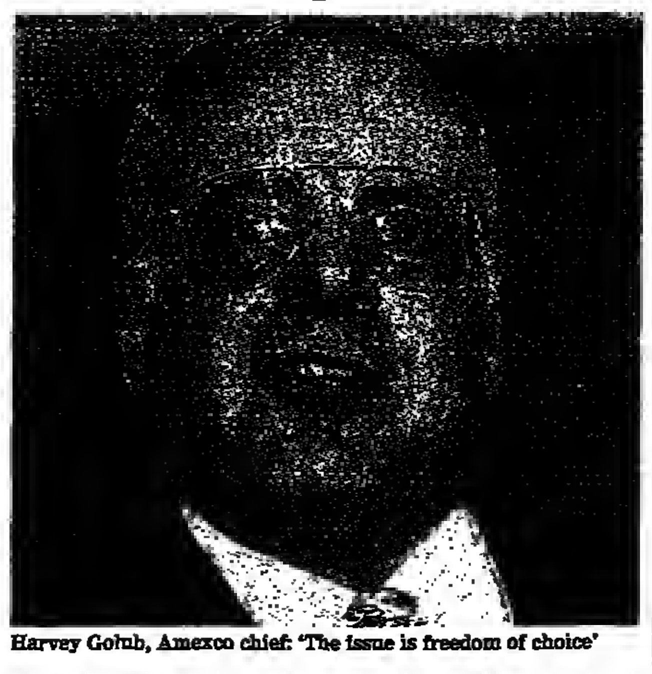
Visa accused Mr Golub of trying to drive a wedge between the payment organisation and its members, and defended its by-law. "Banks have invested in, and built, the Visa: the Visa brand is the banks' brand," it said.

In a sideswipe at American Express's recent attempts to extend its range of payment card products, Visa added: "Quite frankly, they are a latecomer to the revolving credit [card] market. It's only lately they got religion because they were losing market share."

According to Mr Golub, American Express's research has found that executives at more than 100 of the 300 largest US banks would be interested in issuing a wider range of payment cards. Almost all of them believed individual banks should be able to choose which cards they can offer to their customers, be added.

In a direct challenge to Visa, Mr Golub advised any bank that wanted to issue American Express cards to complain directly to the Visa board – or to convert all its cards to the rival MasterCard brand, which does not prevent its members issuing other cards.

Visa is reviewing its competitive position against American Express. The issue was on the agenda at the organisation's last board meeting in March, after the complaint in Europe, and the results are due to be considered when Visa's directors hold their next meeting in June.



Harvey Golub, Amexco chief: 'The issue is freedom of choice'

Dean Witter Discover, whose Discover card was one of the big success stories of the US payments industry in the early 1990s, recently fought an unsuccessful legal battle to be allowed to issue Visa cards.

YPF's tax bill offsets boost from oil prices

By David Pilling in Buenos Aires

Higher crude oil prices and volumes helped YPF, the Argentine hydrocarbons group, raise operating income to $292m, a 32 per cent rise from the same period last year. However, a leap in income tax and continued losses at the Maxus oil unit in the US caused consolidated after-tax profits to fall 20.8 per cent to $145m, in line with most market expectations.

YPF, Argentina's largest company, paid $41m in domestic income tax, in its first such bill since the expiration of tax incentives associated with its 1993 privatisation. Results also included $12m in losses and about $40m in financial costs associated with Maxus, the Texas-based international oil group acquired by YPF last year. Maxus, bought for $800m and with $1bn of debts, is fully consolidated into YPF's balance sheet.

Mr Nells León, YPF president, said loss-making Maxus would reach break-even point by the end of next year. The purchase of Maxus has depressed YPF's share price because of the negative reaction of analysts. Maxus made a first-quarter loss of $12m compared with a 1995 fourth-quarter loss of $49m, said Mr León. The improvement was helped by higher crude oil prices, and a better performance following the replacement of the company's "terrible upper management", he said.

Mr Daniel Tassan-Din, head of research at ING Barings in Buenos Aires, said YPF's goal of eliminating losses at Maxus depended on the successful conclusion of a joint venture in the Texas panhandle, where the company has gas reserves. Mr León said teaming up with another US company would allow economies of scale, especially in its gas processing plants. Amoco has been mentioned as a possible partner by industry analysts.

Mr León said YPF had decided not to sell Maxus's oil fields in Indonesia. Mr Tassan-Din said YPF had struggled to find a buyer because of debts accrued by the Indonesian unit and the need for approval of the sale from Indonesia's parliament. "They would like to sell, but they've not been able to," he said.

Mr Tassan-Din said higher oil prices had more than compensated for squeezed margins on YPF's downstream side.

YPF does not hedge against oil price shifts, and Mr León said it was not considering doing so in the near future.

CBS buy hurts Westinghouse

By Richard Waters

Westinghouse Electric suffered an after-tax loss, before one-off items, of $126m in the first three months of the year, reflecting continuing efforts by the broad-based US conglomerate to transform itself into a media-centred company.

The group's results were hit by costs linked to its acquisition last year of CBS, the network television company, as well as continued pressures on Westinghouse's power systems business.

Mr Michael Jordan, chairman, sought to depict the group's recent performance as part of a transition that would leave it better positioned in the future. Westinghouse has sold businesses to pay off $3.5bn of the debt related to the CBS acquisition, helping to reduce its future interest costs. Serving the debt and amortising the goodwill from the CBS acquisition cost $90m after tax in the first quarter.

Mr Jordan also hinted at an improved performance from the power generation business, which suffered in the first quarter from what the company called "price compression" on existing orders, as well as delays by customers in placing service orders.

Orders in Westinghouse's industrial businesses as a whole would be "up nicely in the second quarter, reflecting increased demand in power generation", Mr Jordan said.

Westinghouse's latest results reflect other aspects of its extensive restructuring. The group recorded an after-tax gain of $1.2bn from the sale of businesses, and a $857m charge to cover a number of one-off items.

The charges, announced last month, include a number of items such as accounting changes, the settlement of outstanding legal disputes and asset write-downs.

After all one-off factors, Westinghouse reported net income of $181m, or 41 cents a share, compared with $15m, or 1 cent a share, a year ago.

Banco do Brasil issue fails to tempt

By Jonathan Wheatley in São Paulo

An issue of R$8bn (US$8.05bn) in shares in Banco do Brasil, Brazil's biggest bank, seems certain to attract few takers among the bank's minority shareholders before their preferential right to buy expires on Tuesday.

Priced at R$12.85 and R$13.51, respectively, for each lot of 1,000 ordinary and preferential shares, the offer is equally unlikely to tempt new investors when it opens to the public between May 8 and 20. The shares were trading on the São Paulo stock exchange yesterday at around R$9.60 and R$9.80 per lot.

"It's undeniable that with the shares at their current level there is little incentive for anyone to take up the offer," Mr Carlos Gilberto Caetano, financial director, said. Any shares unsold after the offer expires will be bought by the bank's controlling shareholder, the national Treasury.

The share issue is part of a restructuring programme announced after Banco do Brasil posted a 1995 loss of R$4.2bn. Other changes include greater non-government representation on the bank's board of directors and more collective decision-making designed to improve profitability. On the same day the issue was announced, the bank declared a provision for non-performing loans of R$3.8bn.

Mr Pedro Parente, the finance ministry official responsible for the restructuring programme, is confident of success.

"If the Treasury has to step in, that won't be a problem," he said. "All the shares the Treasury buys will be sold at a profit in the future."

However, Mr Alberto Sanchez, a banking analyst at Bear Stearns in New York, said this certainty was not shared by investors.

"What people are wondering is whether Banco do Brasil has revealed the full extent of its problems, and whether there will have to be another clean-up next year," he said.

Banco do Brasil's return on equity had always been low, Mr Sanchez said, because of its role as an instrument of government policy. Mr Parente said that in future, the bank would be properly paid for its services to the government.

Confidence in Brazil's banking industry was jolted last year when two leading banks revealed crippling liquidity difficulties shortly after publishing healthy balance sheets. To prevent a crisis, the government assumed their bad debts. Mr Sanchez said the cost to the Treasury of these and similar operations was $30bn-$35bn.

"The number one issue in Brazil now is the fiscal deficit," he said. "The government is under a lot of pressure to cut spending and the cost of bailing out banks is no help."

Menu change at McDonald's

By Richard Tomkins in New York

McDonald's, the world's largest fast food chain, is planning to make its most important menu change in 15 years with the US launch next week of a new type of burger called the Arch Deluxe.

Billed by the company as "one of the biggest McMoments in history", the move is aimed at helping the company fight fierce competition from other fast food chains – particularly Burger King, part of Grand Metropolitan of the UK.

The Arch Deluxe is a quarter-pound burger, but unlike the existing McDonald's quarter-pounder it contains bacon, lettuce and tomato – a popular combination in the US – and is served in a potato-flour bun.

The burger is intended to have a home-made feel, containing leaf lettuce that looks torn instead of shredded in order to make it look less processed. Other ingredients are peppered bacon, cheese, onion, mayonnaise, and a combination of Dijon and stone-ground mustards.

McDonald's said that it did not want to comment on the launch ahead of next Thursday's unveiling, but it confirmed that it had been test marketing the Arch Deluxe for some time. "We are very excited about its potential as a premium sandwich," it said.

McDonald's added that it had no plans to introduce the Arch Deluxe to markets outside North America "at this time".

The company's last big product introduction was Chicken McNuggets in 1981. More recently, it introduced the low-fat McLean Deluxe burger in 1991, but the product did not sell well and McDonald's withdrew it in February this year.

Although McDonald's is the market leader among US burger chains, it is fighting competition from Burger King and Wendy's International. The new burger, intended to appeal particularly to adults, will help it fight Burger King's Whopper, which contains lettuce and tomato.

NEWS DIGEST

News Corp states tax compliance

News Corporation, the media and entertainment group headed by Mr Rupert Murdoch, said yesterday that it "has fully complied with its obligations under all tax laws to which it is subject". In a statement issued in response to the publication on Thursday of a Financial Times investigation, News Corp said that as a result of the company's "global operations it is required to file tax returns in many jurisdictions around the world".

The statement said News Corp "is advised, and its tax returns reviewed by, independent tax experts in every jurisdiction in which it files returns, and its tax returns are subject to review in every country in which the returns are filed".

The Financial Times investigation into News Corp revealed questionable tax planning and embarrassing management failures. Details have emerged of the tax avoidance structure operated at News Datacom, a News Corp group subsidiary involved in the supply of smart cards to BSkyB and other TV groups. News Datacom was registered in Hong Kong and had a wholly owned subsidiary registered in Israel.

News Corp stated yesterday that its "Israeli subsidiary, since its inception, has had accumulated losses and, as a consequence, has not incurred income tax liability in Israel".

News Corp also said that "any difficulties related to the management of News Datacom between 1987 and 1992 were caused by the unauthorised acts" of certain individuals against whom it is now taking legal action. It also said that "News Corp reaffirms its complete faith in the current management of News Datacom". *William Lewis, London*

CanPac to sell property

Canadian Pacific expects to begin selling commercial properties worth C$1bn (US$700m) across Canada later this year, according to Mr David O'Brien, president. "We plan to exit real estate largely and we have several shopping centres and office buildings on offer now," he told the annual meeting in Vancouver. "This is the final stage of CP's restructuring and our four other businesses – rail, ships, energy and hotels – are very strong."

He said CP did not face further large write-offs. At the end of 1995 it wrote down the value of its railway and property assets by almost C$1bn. *Robert Gibbens, Montreal*

Gruma in talks to sell stake

Gruma, the parent company for Grupo Industrial Maseca, a leading Mexican food company, was in talks with Archer-Daniels Midland and other foreign companies to sell a stake believed to be valued at US$200m, the company said. It was also planning an equity offering later this year.

Mr Javier Velez, Maseca's corporate director of finances and planning, said Gruma was considering a sale to reinforce its long-term equity base. However, such an expansion was not necessary in the case of Maseca, which reported record sales for the first quarter of 1996, in spite of the recession that has hurt other parts of the food industry. The company dominates the market for the corn flour used for tortillas, a staple food for many Mexicans. *Daniel Dombey, Mexico City*

Gulf Canada moves into profit

Gulf Canada, a former Reichmann holding now controlled by Texan oilman Mr James P. Bryan, earned C$19m or 4 cents a share in the first quarter, against a loss of C$51m or 30 cents a share a year earlier, on revenues of C$195m against C$167m. Gulf expects 1996 profit will total C$50m. The company has been restructured and is completing a C$250m upstream acquisition in Western Canada. *Robert Gibbens*

3M sticks to sales growth

3M, the Minnesota-based adhesives manufacturer, said net income dipped to $362m or 87 cents a share in the first quarter, from $376m or 90 cents a share for the same period in the previous year. Worldwide sales rose to $3.46bn from 3.36bn a year ago.

However income from continuing operations rose to $362m, from $355m. International sales increased about 4 per cent in the period, to $1.9bn or about 55 per cent of the worldwide total, in spite of sluggish growth in France and Germany. In the US, sales rose 3 per cent to $1.9bn. *Laurie Morse, Chicago*

COMPANIES AND FINANCE: UK

Announcement expected in near future following the government's blocking of bid from PowerGen

US utilities line up for Midlands Electric

By Patrick Harverson

Midlands Electricity is expected to announce within the next few days that it has received a formal takeover offer from a US utility.

The regional electricity company has attracted bid approaches from several US utilities since last Wednesday, when the government unexpectedly blocked the £1.95bn ($2.94bn) takeover of Midlands by PowerGen, the generating group. Mr Bryan Townsend, chairman, is believed to have held preliminary talks with the potential bidders.

Although their identities are not known, about half a dozen large US utility groups have expressed an interest in expanding into the UK electricity market. They include General Public Utilities, Houston Industries, Pacific Gas & Electric, Mission Energy, Duke Power and Florida Power & Light. A US bid for Midlands has been expected by the stock market since Mr Lang's decision to rule against the PowerGen takeover and the separate bid for Southern Electric by another generator, National Power.

His view that an English generator should not be allowed to own a regional distributor because it would hinder competition was seen as opening the way for foreign companies to buy the remaining independent recs.

After the government sanctioned takeovers of the distributors in 1995, many of the recs were bought in a flurry of takeover activity. Until the generators' bids were blocked, only four remained independent – London, East Midlands, Yorkshire and Northern, which successfully fought off a takeover attempt by Trafalgar House.

Although only one rec, the south west-based Sweb, was acquired by a US buyer – Southern Company of Atlanta – analysts expected other US utilities to enter the UK market.

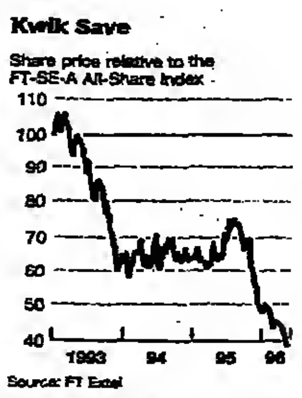
Midlands is one of the largest electricity distributors in the UK, with 2.16m customers. In December it announced interim pre-tax profits of £92.7m on sales of £621.6m. In the year to March 31 1995 profits were £178m on sales of £1.46bn.

The largest shareholder in Midlands is PowerGen, which owns 21 per cent, a stake acquired since the generator announced an agreed acquisition of the rec last September.

Yesterday Midlands shares rose 5p to 385p, giving a market capitalisation of £1.47bn.

LEX COMMENT

Kwik Save



Kwik Save is paying the price for straying from its roots. As a discounter of a limited range of basic branded goods, it had a distinct appeal. That has been blurred as the group tried to emulate the supermarkets by doubling its product range to more than 4,000 lines, building larger, more expensive stores and introducing own-label goods. That has allowed pure discounters like Aldi and Netto to undercut it, while the big supermarkets have retaliated from on high by cutting prices on the typical Kwik Save shopping basket. Tesco, for instance, is selling baked beans that cost 15p a can at 3p. Kwik Save is being horribly squeezed in the middle. Yesterday's interim results showed volumes, market share and sales per sq ft all declining, while costs shot up 19 per cent. As a result, profits are expected to fall a third to £85m this year and remain static at best in 1997. The sinking shares suggest that Kwik Save cannot survive in this no man's land between the supermarkets and the discounters and the group's root-and-branch review is a belated recognition of this.

However its management seems wedded to continued expansion – albeit at a slower pace – and is planning to spend heavily on modernising distribution and computer systems. To cover that investment will require even higher volumes, just at a time when the group's rapidly falling return on capital makes new store openings harder to justify. A more prudent approach might be for Kwik Save to retrench to being a limited range discounter, cut costs and fight the competition on its home ground.

Body Shop promises to pay more generous dividends

By Christopher Brown-Humes

Brendt Cox

Gordon and Anita Roddick: criticised for 'pitiable dividend'

Body Shop International, the cosmetics group, yesterday promised more generous dividends in a rapprochement with the City that follows its decision to remain a public company.

The group announced a 55 per cent increase in its final dividend to 2.32p, in spite of a slight fall in pre-tax profits from £33.5m to £32.7m for the year to March 2. The total pay-out of 3.4p – up 42 per cent – is payable from earnings per share up 13 per cent at 9.8p.

Investors, who had been pressing the company for higher payouts, responded positively to the announcement. The shares rose 19p to 179p. Body Shop has been a significant market underperformer over the last two years.

The group said it would increase its dividend by more than earnings over the next two years, reducing its cover to the sector average of about two and a half times.

Mr Gordon Roddick, chairman, acknowledged that the group was responding to institutional pressure. "They told us: 'your balance sheet is strong, but your dividend is pitiable.'"

Sales rose 16 per cent to £595m (£511m), but profits fell because of a £1.3m operating loss in the competitive US market and because costs – at a time of rapid international expansion – outran sales growth.

The US problems are being tackled through cost-cutting, higher promotional spending, and product launches. The group said US expansion would slow this year and it could close up to 10 poorly-performing stores.

The UK produced a resilient performance, with unchanged operating profits of £12.9m bolstered by the performance of its direct home selling unit. But the star performer was Asia, where operating profits surged 93 per cent to £10.8m on turnover up 63 per cent at £83.8m.

The company abandoned plans to go private in March, in part so as not to impede its international expansion drive. It plans to open a further 120 stores this year, mainly franchised, to build on its 1,400-strong worldwide network.

DIGEST

Laura Ashley/ L'Oréal deal

Laura Ashley, the clothing and home furnishings group, has signed a licensing deal with French group L'Oréal. The two are to produce a range of perfumes and cosmetics to be sold under the Laura Ashley name.

The development costs of the deal represent a "serious amount of cash", according to Mr Stephen Cox, Laura Ashley director of legal and commercial services.

Mr Cox said yesterday's "long-term" agreement had "greater potential" than the 10 other licensing agreements the group has, ranging from sunglasses to ceramics.

Laura Ashley shares rose 6p to a year's high of 215p. L'Oréal closed down FFr2 at FFr1,595. *Jane Martinson*

Bodycote buys Hauzer stake

Bodycote International has bought a 51 per cent stake in Hauzer Industries of the Netherlands for £3.47m cash. It has an option to acquire the remaining 49 per cent of the share capital on a profit related formula.

The deal is a further step in Bodycote's strategy of building a European network of sub-contract heat treatment processing centres which now totals 12.

CRH expands in Netherlands

CRH, the international building group, said its Van Neerbos subsidiary had bought Kelders Group, the roofer, and Van der Schoot, the wholesaler and distributor, for I£12m (£12.4m) cash, including debt assumed. Goodwill on the acquisitions amounted to about I£4m.

The company said combined trading profits in 1995 for Kelders and Van der Schoot amounted to I£2m on combined sales of I£24m. The deals will increase the group's merchandising outlets in the country to 43.

COMPANIES AND FINANCE: UK

North American profits almost double on pick-up in Lipton tea sales

Brazil star turn for Unilever

By Roderick Oram, Consumer Industries Editor

Latin America, led by Brazil, was star performer for Unilever in a first quarter marked by moderate underlying volume and profits growth.

Sir Michael Perry, chairman of the Anglo-Dutch consumer goods group, said overall pre-tax profits of £513m at current exchange rates were up 12 per cent from a year earlier.

Analysts estimated Unilever achieved volume growth of about 9 per cent in Brazil. Excluding an extraordinary loss this year and a gain a year earlier from disposals, underlying operating profits in Latin America were up 35 per cent.

Other developing markets appeared mixed despite Unilever's efforts to generate strong profits growth from them to compensate for mature markets in Europe and North America.

Profits from Asian and Pacific markets were up £6m to £92m but good gains in developing countries were offset by weaker performances in Australia and Japan, analysts believe.

North American profits almost doubled to £102m. A large proportion of the rise reflected a pick-up in Lipton tea sales. North American sales were up 11 per cent at £1.47bn, but volume growth was probably only 4 per cent.

European operating profits were flat at £353m, but the latest period included some £19m in exceptional costs, in the view of analysts. Quarter-end net debt rose from £1.98bn to £2.78bn.

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Trevor Humphries

Sir Michael Perry: growth of 12% at current exchange rates

Seven Seas sale nets £150m for Hanson

By Motoko Rich

Hanson, the industrial conglomerate which is planning a four-way demerger, yesterday announced the £150m ($226m) sale of Seven Seas, its UK vitamin supplement business, to Merck, the German drugs group.

The sale brings the total raised by its disposal programme to more than £2bn, exceeding a target set last December by Mr Derek Bonham, chief executive.

Mr Christopher Collins, Hanson vice chairman, said that plans for demerger were "very much on track", but he declined to be drawn on whether the group planned further disposals.

Mr Ted Roberts, board member responsible for worldwide pharmaceuticals at Merck, said it had been looking for an over-the-counter business in the UK for some time. "We wanted to expand our OTC business because we have a pretty strong presence already in Germany, Spain, Italy and France." Seven Seas would be the group's first OTC business in the UK, where it also runs a generics business and pharmaceutical operations. It would also complement other vitamin and mineral activities in Germany, Italy and Spain.

He said the group had been talking to Hanson for about five months. Mr Collins said Merck had "emerged from other bidders".

Merck has paid well over twice Seven Seas' sales of £59.3m in the year to September 30 1995.

Hanson declined to disclose the business' profits or net assets, but Mr Collins said: "Most of the value of Seven Seas is in the brand rather than in tangible assets."

Mr Roberts said Merck would maintain Seven Seas' current management. He added: "We see opportunities to move some of the Seven Seas operations out of the UK into other markets and vice versa. We might be able to use Seven Seas to introduce our other products into the UK."

He said the group was looking for an acquisition in the US generic market. "We have talked to a lot of companies but I really have not found anything I like."

ICI to push polyester and performance chemicals

By Jenny Luesby

Imperial Chemical Industries is to create two new divisions – polyester and performance chemicals – as part of a drive to promote its star businesses.

Mr Charles Miller Smith, chief executive, has already injected young blood into the businesses by appointing new chief executives.

Mr Paul Drechsler, 40, will head the polyester business, which is one of ICI's largest. Mr John Hirst, also 40, will run the performance chemicals division.

Both will answer directly to the ICI board. Previously, their businesses were part of the group's chemicals and polymers division, headed by Mr Bob Bew.

It produces surfactants, used as cleaning agents in toiletries, and dispersants in industrial chemicals, and catalysts, which provoke reactions in other chemicals. Sales last year were £600m.

The polyester business, however, has been very successful. It makes PTA, the raw material for polyester fabrics and plastics; PET, used to make plastic water bottles; and polyester-based films, used for packaging.

Polyester sales rose from £600m to £1.4bn last year. This has prompted the group to build four new polyester plants, two in Asia, one in the US and one in the UK.

However, other companies have also been increasing their polyester capacity, and analysts predict a sharp slowdown in the sector, followed by several years of stagnation.

Kwik Save reviews stategy following decline of 28%

By David Blackwell

Kwik Save, the UK's biggest discount grocer, announced a strategic review yesterday as interim profits fell 28 per cent.

Shares in the group, which is suffering price competition from supermarkets and discount stores, fell 40p to 428p.

Pre-tax profits fell from £61.6m to £44.2m ($67m) in the 28 weeks to March 9. Sales rose from £1.7bn to £1.84bn, but like-for-like sales were flat.

Mr Graeme Bowler, chief executive, said the group had never experienced such fierce trading conditions and "their reversal in the short term is unlikely". He warned of a reduction in gross margins in the second half.

The review, to be conducted by Arthur Andersen, the consultants, would look at "everything and anything". It would be completed by the end of July, but no announcement was likely before November.

Analysts doubted that any changes following the review would take effect for two or three years. "Reviews are usually a euphemism for big write-offs and provisions," said one. "The management needs to go back to zero and find a viable proposition for the market."

Full-year forecasts were cut yesterday from £100m to about £85m. This is about the same as 1990's figure – but selling space has since doubled.

Kwik Save has 987 stores, which Mr Bowler describes as "discount supermarkets". It has increased its range from 1,000 to more than 4,000 lines, but faces competition from much bigger supermarkets, and from discount chains such as Aldi and Netto.

Store openings are continuing to increase. Mr Bowler said 150 openings last year had had an impact on 150 Kwik Save stores.

Overheads rose 19 per cent from £169.5m to £201.6m, partly because of the Shoprite acquisition in Scotland in 1994. Sales were running 50 per cent higher but an operating loss was expected for the year.

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RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bearing Power Intl	6 mths to Mar 31	24	(20.3)	0.772	(0.324)	0.88	(0.62)	-	-	-	-	1.25
Bellway	6 mths to Jan 31	124.6	(113.8)	12.3	(13.8)	7.4	(8.5)	2.55	July 1	2.45	-	7.7
Body Shop Intl	53 wks to Mar 2	256.5	(219.7)	32.7	(33.5)	9.8	(11.5)	2.32	July 12	1.5	3.4	2.4
First Call §	Yr to Dec 31	47.8	(53.2)	0.96L♠	(0.226)	0.11L	(0.02)	nil	-	nil	nil	nil
Hopkinsons	Yr to Jan 31	114.2	(105.7)	3.04L♠	(0.15L♠)	4.19L	(0.27L)	0.8	July 31	0.8	1.3	1.3
Kwik Save	28 wks to Mar 9	1,838	(1,697)	44.2	(61.6)	18.45	(26.3)	5.95	July 1	5.95	-	20
Laser-Scan §	Yr to Dec 31	7.34	(7.13)	0.222L♠	(0.165L)	1.2L†	(0.2L)	nil	-	nil	nil	nil
Unilever	3 mths to Mar 31	7,689	(7,188)	513	(460)	17.11	(16.04)	-	-	-	-	29.4

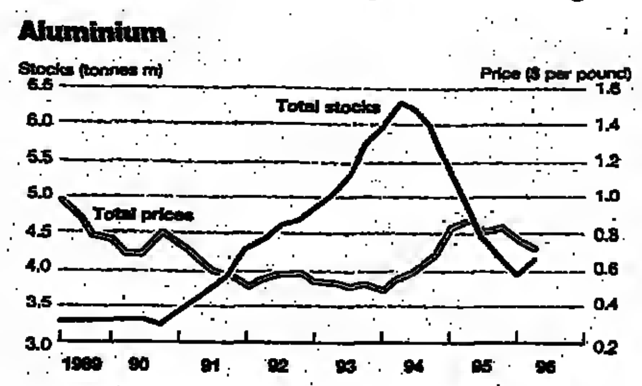
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Continental	Yr to Mar 31	413	(315.3)	2.68	(2.23)	4.1	(3.42)	4	July 26	3.4	4	3.4
Undervalued Assets	Yr to Mar 31	130.8	(128.4)	1.88	(1.05)	2.72	(1.96)	2.35	July 10	1.75	2.35	1.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. †On increased capital. §USM stock.

COMMODITIES AND AGRICULTURE

Aluminium industry 'very healthy'

By Kenneth Gooding, Mining Correspondent



The aluminium industry can this year expect a mirror image of 1995, which "came in like a lion and went out like a lamb". This year started with weaker demand and lower prices but should finish strongly, according to Mr Jacques Bougie, president of Alcan of Canada, the world's second largest aluminium group.

Demand for the metal, which had shown 13 years of continuous growth, would rise again this year by between 2 and 3 per cent, he suggested at presentations to international investors and analysts. That would follow an 11 per cent demand increase in 1994 and one of 2.2 per cent last year.

Prices in 1996 were likely to be a little lower than last year's average of US$1,830 a tonne.

Although there was about 1m tonnes of shut-down capacity ready to come back into operation, that would all be needed to meet demand, he suggested. More than half of that capacity was owned by two US groups, Alcoa and Reynolds Metals, which faced labour contract negotiations this quarter.

"So there is potential for some short term gyrations in the market."

Alcan had 160,000 tonnes of idled capacity – about 10 per cent of its smelting capacity – and this would not be brought back into operation until "demand was strong and [global] stocks were low".

Stocks at present were "healthy rather than low", said Mr Bougie, at 13 weeks of supply. At their lowest level in the 1980s stocks were down to only 11½ weeks of supply and prices soared.

In present circumstances, the 2m tonnes of Russian aluminium being exported to western markets, "is no longer a nuisance bnt is now an essential part of western supply".

Any interruption to Russian supply would cause prices to rocket. However, Mr Bougie saw little danger of any substantial cut in Russian capacity, production or exports.

He was also sceptical about warnings from some industry analysts about a possible shortage of primary smelting capacity in 1998 and 1999. "The market has a wonderful way of adjusting itself," he said. When prices rose consumers turned to other materials rather than aluminium if that was possible.

Present price levels between $1,600 and $1,650 a tonne meant that aluminium was very competitively priced against rival materials.

Alcan itself was considering developing a new bauxite (aluminium ore) mine in Australia by 1999 which would cost at least $100m and there was scope for a 30 per cent increase in the capacity of its present alumina and aluminium smelting capacity. Mr Bougie was deliberately vague about the timing of these increases. A final decision about a potential 240,000 tonnes a year aluminium smelter in China to be developed with partners would not be made until 1999.

Mr Bougie looked at two big aluminium markets: beverage cans, the biggest single product using the material, and transport, the biggest single industry customer. He suggested demand from the can makers would continue to grow at an average of 3 per cent a year for the next ten years.

Alcan expected the aluminium content of cars to rise from about 91kg a vehicle to 136kg by early next century. What happened then depended on whether car makers introduced aluminium-intensive vehicles. Mr Bougie pointed out that "not one ounce of present industry capacity has been pnt in place in anticipation of a future big increase in demand from the auto industry". However, as it took at least three years from design to production for a new car, the aluminium industry could keep pace with that demand as it arose.

Summing up, Mr Bougie declared: "The [aluminium] industry is in a very healthy situation. The fundamentals are right. Demand is strong. Supply is available. Prices are at a competitive level."

Production boost planned at Chilean copper mine

By Kenneth Gooding

Phelps Dodge, the US group, and Sumitomo of Japan are to increase output at their Candelaria copper mine in Chile by more than 70 per cent at a cost of US$337m.

Candelaria's capacity will be increased from the present 250m lb (113,500 tonnes) annual rate to 425m lb (193,000 tonnes) by the middle of 1998.

The mine, in Chile's Atacama desert, came into production only one year ago. Phelps, which operates and owns 80 per cent, and Sumitomo, with the other 20 per cent, spent $560m on the first phase.

Candelaria is Phelps first substantial operation outside of the US. The company said yesterday that it had wanted to get a better understanding of the ore body before boosting outpnt. The expansion will reduce the expected life of Candelaria from 35 to 19 years.

The expansion is in line with Phelps' objective of doubling its copper production to 2bn lb (907,500 tonnes) by 2002.

Mining activity at Candelaria will be stepped up, and a second semi-autogenous mill and new and expanded concentrating facilities will be required for the expansion. More than 200 extra employees will be needed at the mine, which at present employs 700.

● Copper prices firmed at the London Metal Exchange yesterday as a strike began at Chile's state-owned Chuquicamata mine after the management refused to increase a pay offer.

Production at the mine, the world's biggest copper producer, was paralysed yesterday when 98 per cent of the workforce downed tools. But the company said it had enough copper in stock to be able to avoid declaring *force majeure* on shipments "for at least two weeks".

Alarm raised about enemy lurking in Africa's fields

Toxic fungi are contaminating maize, writes **David Dixon**

Millions of families across Africa are damaging their health when they eat their staple food, maize. Harmful fungi, lurking in their fields and granaries, are contaminating their daily food. Many researchers warn that the damage done to health and productivity in Africa may be as serious as the AIDS epidemic, because virtually everyone who eats maize can be affected.

Fungi, such as *aspergillus flavus* and *fusarium moniliforme*, produce potent toxins called mycotoxins, which contaminate grain and other foodstuffs, such as peanuts.

Mycotoxins cause tremendous damage in Asia and in Africa, particularly in Mozambique, Kenya and Swaziland, they have been associated with very high rates of liver cancer. A recent survey in West Africa, directed by Dr Kitty Cardwell at the International Institute of Tropical Agriculture in Nigeria, indicates that mycotoxin contamination is widespread in maize. In Benin, over one-third of the farm granaries had high levels of mycotoxins at barvest time and by six months after storage over half were contaminated. Furthermore, farmers and their families were unaware that they were eating infected grain.

In industrialised countries mycotoxin levels are strictly limited to 20 parts per billion or lower. This limit was based on animal studies showing that mycotoxins promoted tumours, reduced fecundity and led to increased morbidity and premature mortality.

Now the impact on people is starting to emerge. At a recent conference, held in Benin by the IITA and funded by Danish International Development Assistance and the International Development Research Centre of Canada, Dr Chris Wild of the International Agency for Research on Cancer presented data showing that *aspergillus flavus* mycotoxins, known as aflatoxins, were present in the blood of 98 per cent of the people sampled across West Africa and were present in the umbilical cord of newborne babies. A report from the World Bank calculated that the average person, in sub-Saharan Africa, worked for only about half of his or her productive life because of disease. Further data showed that child mortality before the age of 5 was bigher than anywhere else in the world. Researchers now believe that the cause may well be high levels of aflatoxins in the diet.

> Researchers warn that the damage done to health and productivity may be as serious as the AIDS epidemic

Dr Gita Ramjee, of the Department of Paediatrics and Child Health at the University of Natal, in South Africa, showed that morbidity in children suffering from kwashiorkor (a condition arising from protein malnutrition) increased wheo aflatoxins were present in their bodies. It is also becoming apparent in West Africa that child vaccination programmes are having unusually high failure rates. Researchers argue that if high levels of aflatoxins are leading to increased morbidity then they may also be suppressing the children's immune system. Aflatoxins have been shown to suppress the immune system in animals.

Fusarium moniliforme, prevalent in South Africa, produces mycotoxins called fumonisins, which are also carcinogenic. There is evidence, too, that they are systemic, so seed may actually carry the fungus.

Although the traditional granaries may be harbouring fungal spores, contamination can, also, occur in the field. In the US corn belt, for instance, it is known that when maize is stressed, say by drought, the grain cracks and this allows fungal spores to get in. They get in, too, when grain is damaged by field pests.

Methods of harvesting also play a crucial role. Traditionally the crop is dried in the field but this allows the husk to loosen, giving insects and fungal spores easier entry.

For 25 years plant-breeders in the US have been trying to develop resistant varieties, but have found no specific gene, or set of genes resistant to *aspergillus flavus*. So they have developed varieties that are more stress tolerant in the field and bave tight, thick husks for better storage. In Africa, plant-breeders have concentrated more on increasing production, so Dr Cardwell feels that it is time for the breeding emphasis to change. "We cannot improve yield without paying equal attention to the storability of the crop," she insists.

Dr Cardwell is looking for local compounds that will protect the grain as it goes into store. She has examined nine medicinal herbs that, in a liquid extract or powder form, stop the growth of *aspergillus flavus*.

At the conference in Benin delegates called for increased research to determina, more precisely, the link between mycotoxins and human health. To co-ordinate this work the Pan African Mycotoxin Initiative Committee will be set up, with funding from African and International donors, but immediate work will be co-ordinated by the IITA and the African Medical Research Foundation.

In the meantime public awareness campaigns will be stepped up to emphasise the tremendous impact mycotoxins are having in Africa.

Australian Senate launches uranium inquiry

By Nikki Tait in Sydney

Australia's Senate, federal parliament's upper house, yesterday launched a wide-ranging inquiry into the mining and milling of uranium, and the likely impact an expansion of the industry could have on the environment and on health and safety.

The inquiry, which is due to report in early December, will also consider the effectiveness of security agreements for exports.

The inquiry has been triggered by the recent change of federal government and a likely npsurge in uranium mining. Australia is reckoned to have about 30 per cent of the western world's known low-cost uranium reserves, although at present it accounts for only about 10 per cent of the West's output of the radioactive metal.

For the past decade, under Lahour, uranium mining has been restricted to three sites, one of which has been worked out. But the new conservative coalition does not recognise this constraint and no legislative changes are necessary to allow the industry to expand.

Already the conntry's mining companies have been reassessing their uranium deposits, and one – Energy Resources of Australia, part of the North group – has submitted a formal application to develop a new underground mine at Jabiluka in the Northern Territory.

Any expansion of uranium-mining is sensitive, partly because of nuclear concerns and but also because some of the most prospective deposits, including Jabiluka, lie within the boundaries of Kakadu National Park (even though they are technically exempted from the park restrictions). This has recently been designated a world heritage area, because to its natural features.

The federal government yesterday dismissed the Senate inquiry as a waste of public money, although the resources minister said his department would co-operate with it.

However, the probe was warmly endorsed by environmental groups, who urged the government to hold off making any decision on the ERA application until the Senate inquiry's findings had been released.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1620.5-21.5	1651-52
Previous	1601-02	1633-34
High/low	1606	1654/1637
AM Official	1605.5-6.5	1637-37.5
Kerb close		1646-47
Open int.	206,445	
Total daily turnover	59,640	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1350-60	1390-95
Previous	1340-50	1390-95
High/low		1390/1385
AM Official	1341-46	1381-83
Kerb close		1390-95
Open int.	5,598	
Total daily turnover	2,052	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	831-3	821-2
Previous	809-10	799-800
High/low	824/823	826/805
AM Official	823-4	812.5-3
Kerb close		827-8
Open int.	34,996	
Total daily turnover	9,952	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8065-75	8150-55
Previous	7945-55	8045-50
High/low		8200/8100
AM Official	8050-60	8140-50
Kerb close		8100-05
Open int.	39,532	
Total daily turnover	16,314	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6585-95	6585-95
Previous	6540-50	6535-60
High/low	6605/6595	6610/6580
AM Official	6600-05	6600-10
Kerb close		6570-80
Open int.	16,782	
Total daily turnover	4,938	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1036-37	1061-62
Previous	1029.5-27.5	1052-53
High/low	1030	1065/1054
AM Official	1030.5-31	1058.5-57
Kerb close		1060-61
Open int.	71,798	
Total daily turnover	15,864	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2708-13	2620-22
Previous	2698-703	2607-08
High/low		2624/2618
AM Official	2722-24	2623-24
Kerb close		2617-19
Open int.	171,856	
Total daily turnover	78,030	

■ LME AM Official £/$ rate: 1.4857
LME Closing £/$ rate: 1.5017
Spot: 1.5033 3 mths: 1.5013 6 mths: 1.4998 9 mths: 1.4967

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	122.55	-0.35	123.70	122.40	1,445	8,315
Jun	121.85	-0.30	122.50	121.60	485	3,152
Jul	120.05	-0.55	121.45	119.80	5,140	24,987
Aug	118.80	-0.50	120.00	118.00	139	743
Sep	117.45	-0.75	118.50	117.20	694	4,218
Oct	116.20	-0.75	-	-	1	501
Total					8,128	63,128

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	393.00-393.40		
Opening	393.00-393.40		
Morning fix	392.80	262.37	486.43
Afternoon fix	392.40	261.85	491.29
Day's High	393.90-394.30		
Day's Low	391.90-392.30		
Previous close	393.30-393.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.40	6 months	3.80
2 months	4.24	12 months	3.78
3 months	4.16		

Silver Fix	p/troy oz.	US cts equiv.
Spot	356.85	536.50
3 months	364.60	544.90
6 months	369.30	551.55
1 year	378.60	564.45

Gold Coins	$ price	£ equiv.
Krugerrand	390-393	260-262
Maple Leaf	403.65-406.20	-
New Sovereign	91-94	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	394.1	+0.8	-	-	-	-
Jun	395.7	+0.8	395.8	393.6	40,391	102,229
Aug	398.2	+0.8	398.3	396.3	1,146	21,615
Oct	400.7	+1.0	400.5	398.7	186	5,488
Dec	403.2	+1.1	403.5	401.0	1,213	27,129
Feb	405.7	+1.2	-	-	102	5,185
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	407.8	+1.8	408.5	405.5	2,863	18,798
Oct	410.7	+1.8	412.0	411.0	238	3,358
Jan	413.5	+1.8	413.0	413.0	1	910
Apr	416.2	+1.8	-	-	2	1,318
Total					2,901	25,384

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	136.25	+3.60	138.50	134.75	620	5,200
Sep	137.35	+2.85	137.00	137.00	221	2,558
Dec	138.35	+3.00	138.00	137.30	169	347
Total					1,007	8,105

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	537.1	-8.5	537.5	530.0	1,351	1,270
Jun	538.5	-8.5	-	-	3	5
Jul	542.0	-8.5	545.5	534.0	22,331	65,163
Sep	547.1	-8.4	549.0	540.0	353	13,684
Dec	554.7	-8.2	556.0	548.0	175	9,492
Mar	562.5	[illegible]	-	-	122	[illegible]
Total					24,855	97,444

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	133.25	+1.75	133.25	132.80	138	556
Jul	135.40	+1.90	135.50	134.75	177	1,814
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	1455	1468

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1058	+31	1073	1062	85	1,882
Jul	1096	+6	1113	1092	2,289	25,589
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

May 1	Price	Prev. day
Daily	1036.71	1024.33

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

May 1	Price	Prev. day
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 2	May 1	month ago	year ago
2110.5	2098.6	2108.7	2331.4

■ CRB Futures (Base: 1967=100)

May 1	Apr 30	month ago	year ago
257.95	256.08	252.28	235.52

■ GSCI Spot (Base: 1970=100)

May 1	Apr 30	month ago	year ago
209.99	209.33	209.25	186.06

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	58.750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	62.025	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1600	[illegible]	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2500	[illegible]	[illegible]	[illegible]	[illegible]
2600	[illegible]	[illegible]	[illegible]	[illegible]
2700	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LCE	Jul	Sep	Jul	Sep
1800	[illegible]	[illegible]	[illegible]	[illegible]
1850	[illegible]	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]	[illegible]
■ COCOA LCE	Jul	Sep	Jul	Sep
875	[illegible]	[illegible]	[illegible]	[illegible]
900	[illegible]	[illegible]	[illegible]	[illegible]
925	[illegible]	[illegible]	[illegible]	[illegible]
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1800	[illegible]	[illegible]	[illegible]	[illegible]
1850	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.24-7.34x	+0.22
Brent Blend (dated)	$19.40-9.44	+0.42
Brent Blend (June)	$19.15-9.19	+0.42
W.T.I.	$21.32-1.35x	+0.54
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$233-235	+1
Gas Oil	[illegible]	
Heavy Fuel Oil	$104-106	
Naphtha	$192-194	
Jet fuel	$188-190	
Diesel	$167-169	+0.5
■ NATURAL GAS (Pence/therm)		
Bacton (June)	9.05-9.15	-0.025
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♦	$393.20	-0.35
Silver (per troy oz)♦	535.50c	-4.00
Platinum (per troy oz.)	$405.25	+3.25
Palladium (per troy oz.)	$134.00	+2.50
Copper	128.0c	+1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.10r	-0.10
Tin (New York)	308.50	+5.00
Cattle (live weight)	101.49p	-7.60*
Sheep (live weight)	184.14p	-0.37*
Pigs (live weight)	107.69p	-5.03*
Lon. day sugar (raw)	$292.90	-1.10
Lon. day sugar (wte)	$376.50	-0.80
Barley (Eng. feed)	114.40	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	99.00p	+0.50
Rubber (Jul)♥	99.00p	+0.50
Rubber (KL RSS No1)	361.50m	-2.00
Coconut Oil (Phil)§	$830.0v	
Palm Oil (Malay.)§	$545.0z	+10.0
Copra (Phil)§	$512.0v	+10.0
Soyabeans (US)	231.0w	
Cotton Outlook 'A' index	82.80c	+0.55
Wooltops (64s Super)	432p	+2

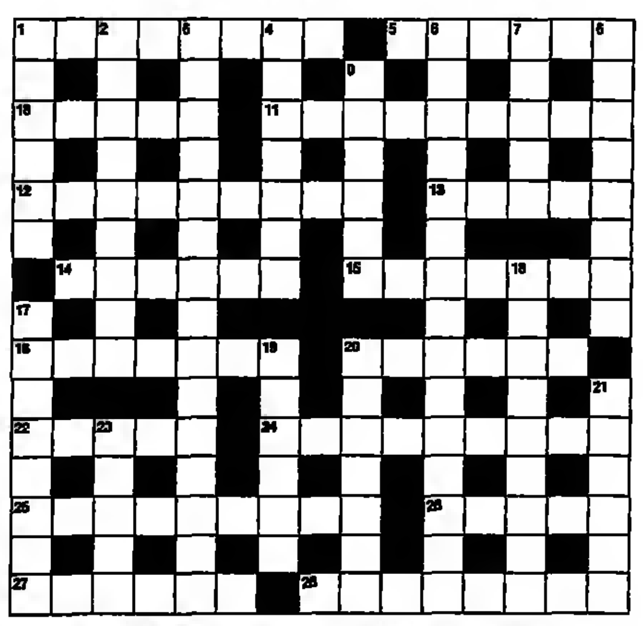
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z May. u June. v Apr/May. w Jun/Jul. x July. ♥ London Physical. § CIF Rotterdam. ♦ Bullion market close. * Change on week. † Based on 1,823 head of pigs sold.

Wool

The Australian market opened down again this week. The Eastern market indicator down to a new seasonal low of 538cts and the Western Indicator down to 510cts. The Eastern indicator recovered to 544cts and the Western reached 517cts as the week closed against a background of a stronger Australian dollar. This is not the first time that hopes of a firmer wool market have emerged this season aided by some improvement in business from processors in Europe and the Far East. The New Zealand indicator fell 5cts to a new seasonal low of 445cts. 48% of the offering was withdrawn by growers dissatisfied with prices so a revival in wool market optimism has to be viewed with caution.

CROSSWORD

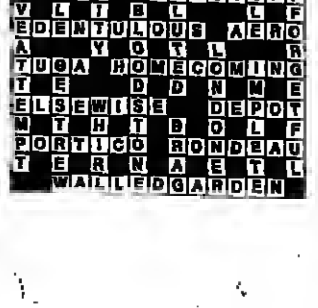
No.9,059 Set by DANTE



ACROSS
1 Frenzied macho types kept in check (8)
5 Musical arrangements of the twenties (6)
10 Article left out of yearbook creates void (5)
11 Talented group of relatives (9)
12 Told he can engage in sporting activity (9)
13 Welcome cry up north (5)
14 A very loud fish creates a disturbance (6)
15 Appointment accepted by stout preacher (7)
18 Demands its sins be found out (7)
20 One is often led to use it by mistake (6)
22 Make a deduction (5)
24 Rampaging pirate due to cast off (9)
25 You'll know when you've got it (9)
26 Odds on tossing up a seven (5)
27 A sticker for the traditional method of roasting (8)
28 Tightly packed Wimbledon crowd may well enjoy it (5,3)

DOWN
1 &&&&&& (food for thought here) (6)
2 Puts restriction on movement and worker strikes (9)
3 Church parade is just part of it (8,7)
4 Fresh interest shown in a gimmick (7)
6 Reason for a moving communication (6,2,7)
7 Bring up the question of more pay? (5)
8 Toothsome vegetable - but only grown for show (5,3)
9 Girl to finish in her under-year (5)
16 Youngsters eat greens for development (9)
17 Drawing instruments - rulers? (8)
19 Rabies breaks out in the country (6)
20 When there's a change of plea, men select a jury (7)
21 A service the non-drinker takes comfort in (3-3)
23 Currently used for transporting trunks (5)

Solution 9,058



INTERNATIONAL CAPITAL MARKETS

US data spark European falls

By Samer Iskandar in London and Lisa Bransten in New York

All European bond markets fell yesterday in the wake of weaker Treasuries, after the release of data showing stronger than expected economic growth in the US in the first quarter of this year.

UK gilts showed a particularly poor performance, with political uncertainty over local elections exacerbating the bearish mood, while losses on Italian BTPs were limited thanks to the stability of the Lira on the foreign exchange markets.

■ US Treasury prices tumbled in early trading yesterday after the Commerce department estimated that the economy had grown 2.8 per cent in the first quarter, far faster than the 1.6 per cent growth economists had expected.

The yield on the benchmark 30-year Treasury bond spent the day hovering near the 7 per cent level. The long bond has not ended the session with a yield above 7 per cent since May 12 of last year.

Near midday the long bond was off 1⅛ at 87⅔ to yield 7.001 per cent. Selling was also heavy at the short end of the maturity spectrum, where the two-year note fell ¼ at 99¾, yielding 6.128 per cent. The June Treasury bond future slid 1⅛ to 108⅛.

Mr Kevin Sluder, a senior fixed-income trader at First Chicago NBD, said he had seen some buying interest at the short end of the maturity spectrum as the yield on the two-year note jumped. At the long end however, investors remained hesitant to buy despite the 7 per cent yield, he said.

Mr Joseph Liro, chief economist at CIBC Wood Gundy, said the market was likely to begin preparing for interest rate increases given the strength in first quarter GDP growth and the prospects it creates for strong second quarter growth. Long bond yields could go as high as 7.25 per cent this summer he added.

Also troubling the markets was a larger-than-expected drop in last week's claims for unemployment benefits. Although the weekly statistics generally do not presage the monthly figure, yesterday's number added a degree of tension to the nerves about today's figures on employment levels in April that have dominated trading this week.

Economists have forecast that 128,000 non-farm jobs were added to the economy last month, down slightly from the 140,000 jobs that were created in March.

Weakness in the dollar against the Japanese yen and the D-Mark also spilled over to the bond market. By early afternoon the US currency was changing hands for Y104.42 and DM1.5293 compared with Y105.35 and DM1.5361 late on Wednesday. A weaker dollar is damaging to bonds because it discourages foreigners from holding dollar-denominated securities.

Commodities were volatile with the Knight Ridder-Commodity Research Bureau crossing back and forth through positive and negative territory. By the early afternoon, the KR-CRB index was 0.56 lower at 257.38.

GOVERNMENT BONDS

■ German bunds fell in line with Treasuries after the release of the bearish US data. Liffe's June bund future settled at 96.40, down 0.53, and was still losing ground on APT, Liffe's after-hours screen-based trading system, reaching a low of 96.12 late in the afternoon.

More than 210,000 bund contracts were traded, "a huge amount" according to a trader on Liffe's floor who described the session as "very hectic".

In the cash market, the 10-year benchmark, the 6 per cent bund due 2006, fell 0.70 point to 96.63. Bond market analysts said that "most of the bad news is now factored into prices", and few of them expect bunds to trade much lower even if today's US employment data reinforces the bearish sentiment.

At yesterday's closing prices, the yield spread of US Treasuries over bunds stood at 50 basis points. However Mr Kirit Shah, chief market strategist at Sanwa International, believes that since the European rally has recently been sustained by capital outflows from the US, the momentum behind it could soon diminish.

When the yield of the long bond reaches 7 per cent, he recently predicted, US Treasuries would again become attractive and drain liquidity away from European bonds.

■ French government bonds also lost ground, but managed to outperform bunds. Matif's June notional future closed at 123.26, down 0.32, but continued sliding after the official close on Globex, reaching an intra-day low of 123.0. The 10-year benchmark OAT closed down 0.25, at 105.88. The 10-year yield spread over bunds stood at 4 basis points at the close.

But earlier in the session, as bunds reacted more violently than other markets to the bearish US data, this spread momentarily reached the zero level, which apparently led some market participants to take profits on convergence trades initiated earlier this year.

One trader attributed the widening of the 10-year spread to profit-taking and predicted that the narrowing trend would resume in the coming days. He believes OAT yields will soon be trading through those of bunds, as foreign investors gradually return to the French market.

The French Treasury yesterday auctioned 2 tranches of 10-year OATs: FFr9.6bn of the existing benchmark, the 7¼ per cent bonds due 2006, and FFr8.15bn of the new floating-rate Tec 10 OATs.

With an outstanding amount of more than FFr26bn, the Tec 10 seems set to become the benchmark for 10-year floaters in French francs just a few weeks after the launch of the first tranche, replacing the illiquid TME floaters that never gained popularity among investors.

Yesterday's was the first auction of Tec 10 OATs, since the Treasury had chosen to issue the initial tranche through a syndicate in order to guarantee a successful debut. Lead managers were BNP and the Caisse des Dépôts et Consignations.

■ UK gilts were particularly vulnerable, with political uncertainty adding to the bearish sentiment imported from the US, as the market awaited results of local elections.

Liffe's June long gilt future settled at 105⅛, down ⅞, but fell as low as 104⅞ in after hours APT trading, extending the day's losses to well over a full percentage point.

One US investment bank was reported to have sold a large number of gilt futures, buying bund futures instead.

Analysts at Yamaichi International Europe believe that the UK market is now likely to focus on the outcome of the local elections. "A loss (for the Conservative Party) of up to 800 seats is discounted. Anything above that would cause the market to sell off", they said yesterday afternoon.

■ Italian bonds also suffered. Liffe's June BTP future lost 0.82 point to close at 113.98, and continued to lose ground on APT, reaching a low of 113.66.

In the cash market, the 10-year spread of BTPs over bunds narrowed slightly to 341 basis points, as the stability of the Italian currency provided some support to the bond market. The lira reached a high of 1,017 for one D-Mark during the day, before weakening to just over 1,021 in the afternoon.

Italy heads April list of best performers

By Antonia Sharpe

European high-yielding bond markets were the top performers in April, supported by improving Emu prospects, a weakening in the D-Mark and favourable domestic factors, J. P. Morgan said in its monthly report on government bond markets.

Italy was the best performer, gaining 4.78 per cent in local currency terms and 5.13 per cent in dollar terms, as the market rallied ahead of the general election. Italy also outranked other markets in D-Mark and yen terms, showing a return on the month of 9.20 per cent and 3.11 per cent respectively.

Other European high-yielders such as Spain, Ireland and Sweden also performed well, boosted by the markets' optimistic response to the meeting in Verona of 15 European Union finance ministers and central bankers in mid-April.

The meeting fanned expectations that bond yield convergence would continue, prompting the yield spreads between high-yielders and German government bonds to narrow.

The returns in high-yielding markets were also boosted by domestic factors, such as the increased possibility of an interest rate cut in Italy, a better inflation outlook in Spain and the flow of foreign investment into Irish gilts.

South Africa was the poorest performer on the month, falling 2.96 per cent in local currency terms and 10.68 per cent in dollar terms.

J. P. Morgan said Japan was the only bond market to post a negative return over the past 12 months in dollar terms, of 15.84 per cent, as a result of the near 20 per cent fall in the yen against the dollar in the period.

Argentine offer helps put life back into eurobonds

By Conner Middelmann

The eurobond market sprang back to life yesterday with a slew of US dollar deals and yet another D-Mark offering for Argentina, which has brought its D-Mark borrowings this year to DM3bn.

In the dollar floating-rate sector, Italy's Crediop Overseas Bank issued $500m of five-year notes, tapping into the positive sentiment towards Italian assets was sparked by the recent election result and reinforced by Moody's recent announcement that it is reviewing Italy's credit rating for a possible upgrade.

Moreover, Crediop capitalised on "the strong demand for floating-rate assets paying Libor-plus yields," said a syndicate official at UBS, joint bookrunner with J. P. Morgan. "There's been a shortage of assets, so people have been moving down the credit spectrum."

Comerica Bank, the 25th-largest US bank in terms of assets, returned to the eurobond market after a 10-year absence with $300m of five-year floating-rate notes. According to lead manager Morgan Stanley, it was the first time a US bank has issued bonds at the bank level, rather than the holding company level.

"This means it qualifies for a 20 per cent BIS risk weighting as opposed to the 100 per cent weighting on holding companies," said an official. The

INTERNATIONAL BONDS

paper was priced to yield 12 basis points over Libor at the re-offer price, compared with spreads of 15 to 20 basis points on outstanding US bank holding company floaters, he said.

Argentina, meanwhile, edged out even further along the German yield curve with a DM500m issue of 15-year bonds, along with a DM500m three-year tranche. Its first 7-year and 10-year D-Mark deals earlier this year were well received, but many dealers doubted that the 15-year issue would have as smooth a ride.

While lead manager CS First Boston reported good sales of the longer tranche, others said they had failed to see any interest from the retail accounts it was aimed at, despite its 535 basis point spread. The three-year tranche on the other hand saw good retail demand, despite a spread of 275 basis points which some regarded as tight.

Back in the dollar market, Beta Finance, the triple-A rated investment company, issued $200m of two-year bonds yielding 10 basis points over Treasuries. They saw good demand from UK institutions seeking short-dated bonds offering a spread over Treasuries and retail investors in Switzerland, where the company roadshowed recently, lead manager SBC Warburg said.

Germany's Landwirtschaftlich Rentenbank issued another $200m of two-year bonds which was priced at 1 basis point below Treasuries but widened to 3 over by the end of the day. It attracted buyers seeking to lock in the 6 per cent coupon for two years, according to Nomura which jointly led the deal with UBS.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Crediop Overseas Bank‡	500	(a)	99.996R	Jun 2001	0.075R	-	JP Morgan/UBS
Comerica Bank‡	300	(b)	99.897R	May 2001	0.225R	-	Morgan Stanley & Co Intl
Bayerische Hypobank	200	6.125	99.881R	Jun 1998	0.15R	+10(5⅞%-98)	Bear Stearns/SocGen
LW Rentenbank(b)	200	6.00	99.862R	Jun 1998	0.125R	[illegible]	Nomura/UBS
Beta Finance Corp	200	6.125	99.86R	Nov 1998	0.125R	+10(5⅞%-98)	SBC Warburg
Grupo Dodira	100	(c)‡	(c)R	May 2001	-	-	Bear Stearns & Co
Credit Nationale(d)	100	(d1)	99.84R	Nov 2005	0.40R	[illegible]	Morgan Stanley & Co Intl
D-MARKS							
Republic of Argentina	500	7.00	99.75R	May 1999	0.50R	+275(5¾%-99)	CSFB-Effectenbank
Republic of Argentina	500	11.75	99.00R	May 2011	1.50R	+535(§)	CSFB-Effectenbank
GUILDERS							
Deutsche Finance Neths	125	(e)	99.83R	Jun 2003	0.30R	+5(6¾%-03)	Deutsche Morgan Grenfell
ITALIAN LIRE							
FBK	200bn	8.00	101.615	Jun 2003	1.875	-	IMI Bank Luxembourg
Deutsche Bank Finance(f)	100bn	8.25	87.12	Jan 2004	2.00	-	Deutsche Morgan Grenfell
NEW ZEALAND DOLLARS							
SocGen Australia	100	9.00	101.00	May 1998	1.25	-	Hambros Bank
BELGIAN FRANCS							
B-Cars, Class A(g)‡	14,287bn	(g1)	(g1)R	May 1999	0.25R	-	BBL/Goldman Sachs

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +10bp. b) 3-mth Libor +10bp. c) Priced later. d) Fungible with $250m. Plus 10 days accrued. Callable from Nov 2000 at par. d1) 3-mth Libor +50bp to Nov 2000 then +125bp. e) 5¼% to 11/6/00, then 7⅝%. f) Fungible with L300bn. Plus 136 days accrued. g) Legal maturity: May 01. 10% cleanup call. Expected average life 1.4 yrs. g1) Priced on May 7th to yield 3-mth Libor +12½-16bp. g2) Class M: BFr173m, 3-mth Libor +45bp max, average life 1.5yrs. § Over interpolated yield. ¶ Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.9530	-	8.79	8.78	8.94
Austria		6.125	02/06	97.7000	-0.500	6.44	6.38	6.67
Belgium		7.000	05/06	102.6900	+0.040	6.82	6.61	6.83
Canada *		6.750	12/05	106.0600	-0.350	7.84	7.75	7.67
Denmark		8.000	03/06	104.2800	-0.660	7.37	7.22	7.61
France	BTAN	5.750	03/01	100.8750	-0.130	5.55	5.56	5.94
	OAT	7.250	04/06	105.8800	-0.250	6.43	6.43	6.73
Germany Bund		6.000	02/06	96.6300	-0.700	6.47	6.37	6.48
Ireland		8.000	08/06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy		9.500	02/06	99.6500	+0.420	9.55†	9.69	10.36
Japan	No 140	6.600	06/01	118.5130	-0.080	2.52	2.41	1.86
	No 182	3.000	09/05	[illegible]	-0.170	3.42	3.38	3.21
Netherlands		6.000	01/06	97.3400	-0.480	6.37	6.30	6.52
Portugal		11.875	02/05	117.4000	-0.130	8.92	8.91	9.65
Spain		10.150	01/06	[illegible]	-	[illegible]	[illegible]	9.54
Sweden		6.000	02/05	85.8540	-0.680	8.37	8.24	8.66
UK Gilts		8.000	12/00	101-31	-12/32	7.48	7.33	7.36
		7.500	12/06	95-11	-29/32	8.16	7.99	8.05
		9.000	10/08	105-21	-31/32	8.29	8.10	8.18
US Treasury *		5.625	02/06	91-26	-28/32	6.78	6.59	6.26
		6.000	02/26	87-21	-35/32	6.98	6.84	6.62
ECU (French Govt)		7.500	04/05	103.6300	-0.640	6.91	6.77	7.25

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	5.11	Two year	6.11
Broker loan rate	7	Two month	[illegible]	Three year	6.29
Fed.funds	5¼	Three month	5.12	Five year	6.50
Fed.funds at intervention	-	Six month	5.26	10-year	6.75
		One year	[illegible]	30-year	[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.48	123.26	-0.32	123.68	123.15	144,678	157,464
Sep	122.00	121.76	-0.32	122.08	121.70	1,204	11,035
Dec	120.80	120.58	-0.32	120.80	120.72	36	6,110

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (Apr 30)

Strike Price	Calls May	Jun	Sep	Puts May	Jun	Sep
120	-	-	-	0.05	-	-
121	2.39	-	-	0.12	-	-
122	1.52	0.77	1.27	0.23	0.77	1.27
123	0.75	0.57	-	0.53	0.37	-
124	0.29	0.15	0.50	1.02	[illegible]	0.50

Est. vol. total, Calls 9,627 Puts 23,361. Previous day's open int., Calls 134,781 Puts 160,493.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.01	96.40	-0.52	97.09	96.12	211661	194678
Sep	95.74	95.48	-0.53	95.74	95.45	995	[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Jul	Aug	Sep	Puts Jun	Jul	Aug	Sep
9600	0.78	0.57	0.78	0.93	0.38	1.09	1.30	1.45
9650	0.49	0.38	0.58	0.73	0.59	1.40	1.60	1.75
9700	0.27	0.26	0.42	0.56	0.87	1.77	1.94	2.07

Est. vol. total, Calls 15870 Puts 17331. Previous day's open int., Calls 214728 Puts 170189

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	114.90	113.98	-0.04	115.03	113.66	50786	64034
Sep	114.10	113.35		114.11	113.53	159	878

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Sep	Puts Jun	Sep
11350	1.20	2.09	0.72	2.24
11400	0.92	1.85	0.94	2.50
11450	0.68	1.62	1.20	2.77

Est. vol. total, Calls 3617 Puts 1616. Previous day's open int., Calls 73176 Puts 91527

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	-	98.63	+0.24	99.18	98.52	49,717	46,867

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-07	105-05	-0-30	105-10	104-24	91511	121689
Sep	104-11	104-05	-0-30	104-11	104-11	20	200

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Jul	Aug	Sep	Puts Jun	Jul	Aug	Sep
105	0-57	0-55	1-13	1-26	0-47	1-45	2-03	2-16
106	0-28	0-33	0-54	1-00	1-18	2-23	2-44	2-54
107	0-12	0-18	0-36	0-44	2-02	3-09	3-26	3-34

Est. vol. total, Calls 5325 Puts 2371. Previous day's open int., Calls 36443 Puts 39230

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	91.76	91.18	-0.58	91.76	91.12	1,943	7,850

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109-04	108-04	-1.00	109-06	107-31	346,291	342,846
Sep	108-18	107-18	-1.00	108-22	107-14	7,072	27,109
Dec	107-22	107-01	-1.02	107-22	107-01	53	5,889

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	117.59			117.75	117.55	2812	0
Sep	116.49			116.54	116.43	334	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thur May 2	Day's change %	Wed May 1	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	121.91	-0.11	122.05	2.75	2.72
2 5-15 years (19)	144.80	-0.62	145.70	2.79	3.36
3 Over 15 years (9)	158.82	-0.95	160.34	3.34	3.48
4 Irredeemables (6)	183.71	-0.56	184.75	4.71	1.47
5 All stocks (57)	140.74	-0.50	141.44	2.93	3.14
Index-linked					
6 Up to 5 years (1)	195.63	-	195.64	0.15	4.43
7 Over 5 years (11)	186.48	-0.41	187.22	1.32	1.38
8 All stocks (12)	186.54	-0.40	187.28	1.30	1.40

Yields	Low coupon May 2	May 1	Yr. ago	Medium coupon May 2	May 1	Yr. ago	High coupon May 2	May 1	Yr. ago
5 yrs	7.56	7.47	8.29	7.56	7.51	8.35	7.71	7.62	8.49
15 yrs	8.30	8.21	8.30	8.32	8.22	8.38	8.40	8.31	8.58
20 yrs	8.36	8.26	8.29	8.39	8.29	8.36	8.44	8.34	8.51
Irred.†	8.36	8.31	8.36						

Index-linked yields	Inflation 5% May 2	May 1	Yr. ago	Inflation 10% May 2	May 1	Yr. ago
Up to 5 yrs	2.61	2.60	3.29	1.23	1.21	1.83
Over 5 yrs	3.75	3.71	3.74	3.54	3.51	3.55

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 2	May 1	Apr 30	Apr 29	Apr 26	Yr ago	High*	Low*
Govt. Secs. (UK)	92.05	92.47	92.57	92.71	92.76	92.42	96.34	91.97
Fixed Interest	112.83	112.72	112.78	112.83	112.92	111.24	115.23	111.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	May 1	Apr 30	Apr 29	Apr 26	Apr 25
Gilt Edged bargains	87.6	88.2	80.4	87.6	120.0
5-day average	96.8	100.9	105.8	110.2	108.6

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:30 pm on May 2

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

US dollar falls after stronger than expected data

By Graham Bowley

The dollar slid on the foreign exchanges yesterday after stronger than expected economic figures hit US government bond and equity markets.

It weakened most against the yen, as the data fuelled speculation that the US Federal Reserve might have to raise interest rates soon to head off rising inflation.

The dollar also lost ground against the D-Mark as this found some support from strong industrial production data. The D-Mark however weakened sharply against the yen.

The pound held firm despite uncertainty surrounding the UK local elections in which the ruling Conservative government was expected to suffer heavy losses.

The Swiss franc weakened across the board. Analysts said the currency now looked vulnerable to further declines against the dollar, D-Mark, yen and pound.

The Swedish krona lost ground due to expectations of slower economic growth and amid rumours of large investment flows from the krona into the Finnish markka. Analysts said the markka had been buoyed by rumours that Finland was considering joining the European exchange rate mechanism.

The dollar finished in London at Y104.675, from Y105.115 at the previous close. Against the D-Mark, it finished at DM1.5328, from DM1.5336.

The D-Mark closed against the yen at Y68.28, down from Y68.54.

Sterling finished against the D-Mark at DM2.2982 from DM2.295. Against the dollar, it closed at $1.4994, from $1.4965.

■ Pound in New York

May 2	—Latest—	— Prev. close —
£ spot	1.5010	1.4925
1 mth	1.5002	1.4917
3 mth	1.4981	1.4904
1 yr	1.4953	1.4885

The trade weighted index rose to 83.7, from 83.5.

The tensions between the D-Mark and dollar had little impact on European cross rates, with most currencies holding firm against the D-Mark. The Bundesbank left interest rates unchanged after its regular council meeting.

■ The stronger than expected data on GDP, initial claims and factory orders would normally have been supportive of the dollar, but the currency fell sharply as US Treasuries and shares dropped.

The data indicated a stronger economy than most analysts had expected and than investors and traders had been positioned for.

Mr Steve Hannah, head of research at IBJ International in London, said: "The markets are now coming to the view that the Fed will have to raise interest rates sooner rather than later."

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the dollar's failure to appreciate despite the strong figures was due to worrying details of the data which showed a worsening net exports position, which threatened to cap the dollar's recent rise.

"If it is the case that the US economic cycle is more advanced than in Europe and elsewhere then the US current account deficit could become a big problem as imports are sucked in," he said.

The dollar had been bought relatively aggressively ahead of the data.

■ One of the main issues occupying the markets at present is the extent to which the US, and particularly Japan, remain committed to a stronger dollar.

One analyst with access to the Japanese Ministry of Finance said Japanese officials were surprised that US hedge funds were selling the dollar, as they believed monetary policy was not set to change soon.

He said market disappointment at lack of Bank of Japan intervention to support the dollar missed the point.

He said: "Timing is everything and the market is not short [of dollars]. It is a matter of tactics rather than policy." He said no level for the dollar on the downside was sacrosanct, although the BOJ would like to see it above Y105.

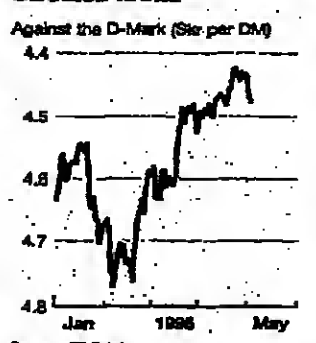
Mr Paul Chertkow, head of global currency research at UBS, said: "The BOJ and MOF have had no lessening of resolve to get recovery of the Japanese financial system through lower interest rates and a firmer dollar."

■ The Swiss franc fell to what analysts described as "technically vulnerable" levels against a number of currencies.

Mr Tony Norfield, UK treasury economist at ABN Amro in London, said the Swiss franc's current level was "at odds with the very weak economy, low interest rates and the stated intent of the Swiss authorities that they want a weaker currency".

Swedish krona

Against the D-Mark (Skr per DM)



Source: FT Extel

■ OTHER CURRENCIES

May 2	£	$
Czech Rp	41.5856 - 41.6292	27.7430 - 27.7550
Hungary	231.707 - 231.986	154.850 - 154.950
Iran	4489.45 - 4497.00	3000.00 - 3000.00
Kuwait	0.4480 - 0.4489	0.2995 - 0.3000
Poland	3.9815 - 3.9925	2.6530 - 2.6580
Russia	7435.54 - 7448.01	4963.00 - 4966.00
U.A.E.	5.5065 - 5.5089	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1702	+0.0245	621 - 783	16.1953	16.0974	16.136	2.3	16.064	2.6	-	-	104.9
Belgium	(BFr)	47.2911	+0.1214	485 - 337	47.3460	47.0550	47.1681	2.7	46.9761	2.7	45.6561	2.8	108.7
Denmark	(DKr)	8.8830	+0.0172	561 - 668	8.8755	8.8204	8.8478	2.1	8.8146	2.2	8.6715	2.2	107.8
Finland	(FM)	7.2220	-0.0485	144 - 295	7.2720	7.2140	7.2176	0.7	7.2096	0.7	-	-	81.5
France	(FFr)	7.7847	+0.0169	818 - 875	7.7779	7.7260	7.7506	2.2	7.7227	2.2	7.5896	2.3	108.4
Germany	(DM)	2.2982	+0.0032	972 - 992	2.3036	2.2874	2.2933	2.6	2.2828	2.7	2.2325	2.9	108.2
Greece	(Dr)	365.268	-0.087	007 - 471	367.207	364.197	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9680	+0.0009	643 - 657	0.9681	0.9622	0.9642	1.0	0.9629	0.9	0.9561	0.9	98.3
Italy	(L)	2345.44	+2	409 - 681	2361.08	2330.28	2353.88	-4.2	2368.79	-4.0	2421.49	-3.2	75.7
Luxembourg	(LFr)	47.2911	+0.1214	485 - 337	47.3460	47.0550	47.1681	2.7	46.9761	2.7	45.6561	2.6	108.7
Netherlands	(Fl)	2.5703	+0.0039	691 - 714	2.5756	2.5586	2.564	3.0	2.5513	3.0	2.4921	3.0	107.0
Norway	(NKr)	9.8759	+0.0229	676 - 841	9.8930	9.7891	9.8669	1.1	9.8478	1.1	9.7521	1.3	96.8
Portugal	(Es)	236.141	+0.066	005 - 276	236.505	234.048	236.588	-2.2	237.471	-2.3	-	-	94.8
Spain	(Pta)	191.121	+0.399	003 - 240	191.680	190.300	191.431	-1.9	191.626	-1.7	193.581	-1.3	81.4
Sweden	(SKr)	10.2822	+0.0427	720 - 924	10.2949	10.1480	10.2834	-0.1	10.2851	-0.1	10.2873	0.0	86.2
Switzerland	(SFr)	1.8725	+0.0041	712 - 737	1.8766	1.8623	1.8663	4.0	1.8535	4.1	1.7958	4.1	111.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.7
Ecu	-	1.2235	+0.0019	220 - 241	1.2241	1.2178	1.2222	1.8	1.2192	1.4	1.2059	1.4	-
SDR†	-	1.036100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4934	+0.0028	926 - 941	1.5009	1.4905	-	-	-	-	-	-	-
Brazil	(R$)	1.4875	+0.0027	870 - 880	1.4962	1.4791	-	-	-	-	-	-	-
Canada	(C$)	2.0423	+0.0036	413 - 432	2.0447	2.0256	2.0418	0.4	2.0379	0.9	2.0299	0.6	84.5
Mexico	(New Peso)	11.2035	+0.1216	930 - 140	11.2145	11.0004	-	-	-	-	-	-	-
USA	($)	1.4994	+0.0029	990 - 998	1.5011	1.4906	1.4986	0.6	1.4973	0.5	1.4935	0.4	96.4
Pacific/Middle East/Africa													
Australia	(A$)	1.8866	-0.0096	855 - 877	1.8882	1.8751	1.8892	-1.6	1.8942	-1.6	1.9195	-1.7	93.2
Hong Kong	(HK$)	11.5984	+0.0213	945 - 022	11.6110	11.5320	11.5903	0.8	11.5787	0.7	11.5589	0.3	-
India	(Rs)	51.8794	+0.0256	406 - 181	52.1185	51.3120	-	-	-	-	-	-	-
Israel	(Shk)	4.8124	+0.029	073 - 174	4.8175	4.7713	-	-	-	-	-	-	-
Japan	(Y)	156.950	-0.855	670 - 029	157.700	156.520	156.225	5.5	154.735	5.6	148.32	5.5	140.3
Malaysia	(M$)	3.7400	+0.01	392 - 417	3.7434	3.7191	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.1764	-0.003	750 - 777	2.1812	2.1708	2.1814	-2.6	2.1909	-2.7	2.2247	-2.2	107.6
Philippines	(Peso)	39.2244	+0.0685	539 - 948	39.2950	39.1535	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6231	+0.011	213 - 248	5.6291	5.5903	-	-	-	-	-	-	-
Singapore	(S$)	2.1079	+0.0035	065 - 092	2.1101	2.0981	-	-	-	-	-	-	-
South Africa	(R)	6.5582	+0.0763	489 - 654	6.5655	6.4518	-	-	-	-	-	-	-
South Korea	(Won)	1167.36	+2.71	697 - 774	1168.61	1191.18	-	-	-	-	-	-	-
Taiwan	(T$)	40.7385	+0.0781	263 - 526	40.7834	40.5066	-	-	-	-	-	-	-
Thailand	(Bt)	37.8748	+0.0583	496 - 999	37.9180	37.8900	-	-	-	-	-	-	-

† Rates for May 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.7845	-0.0045	819 - 870	10.8340	10.7760	10.7695	2.2	10.723	2.3	10.5395	2.3	104.6
Belgium	(BFr)	31.5400	+0.02	200 - 600	31.6600	31.5050	31.465	2.1	31.37	2.2	30.83	2.3	106.1
Denmark	(DKr)	5.9110	-	100 - 120	5.9347	5.8051	5.9035	1.5	5.8865	1.7	5.8175	1.6	106.7
Finland	(FM)	4.8168	-0.0417	126 - 205	4.8567	4.8125	4.8516	1.8	4.7981	1.6	4.7526	1.3	79.8
France	(FFr)	5.1785	+0.0012	780 - 790	5.2000	5.1735	5.1704	1.6	5.1573	1.6	5.0895	1.7	108.9
Germany	(DM)	1.5328	-0.0006	325 - 330	1.5389	1.5317	1.5311	2.0	1.5245	2.2	1.4963	2.4	107.6
Greece	(Dr)	243.610	-0.53	540 - 680	245.230	243.470	245.815	-2.2	248.695	-2.3	262.61	-7.8	65.4
Ireland	(I£)	1.5538	+0.0015	530 - 545	1.5581	1.5465	1.5529	-0.4	1.5553	-0.4	1.5468	0.5	-
Italy	(L)	1564.25	-1.7	375 - 476	1572.00	1560.25	1572	-4.6	1581.85	-4.5	1622.75	-3.7	75.3
Luxembourg	(LFr)	31.5400	+0.02	200 - 600	31.6600	31.5050	31.487	2.0	31.3605	2.0	30.9	2.0	106.1
Netherlands	(Fl)	1.7142	-0.0007	139 - 145	1.7222	1.7125	1.7116	2.3	1.7037	2.4	1.672	2.5	106.2
Norway	(NKr)	6.5868	+0.0025	826 - 909	6.6150	6.5455	6.5812	0.5	6.5761	0.5	6.5416	0.7	97.6
Portugal	(Es)	157.490	+0.34	440 - 540	158.050	156.450	157.465	-2.4	158.395	-2.3	160.64	-1.8	95.0
Spain	(Pta)	127.465	+0.02	420 - 510	127.970	127.400	127.685	-2.4	128.145	-2.1	129.865	-1.7	81.3
Sweden	(SKr)	6.8576	+0.0153	526 - 625	6.8786	6.7981	6.8633	-1.8	6.8861	-1.7	6.9281	-1.0	86.0
Switzerland	(SFr)	1.2486	+0.0003	483 - 489	1.2573	1.2465	1.245	3.4	1.2378	3.5	1.2043	3.6	111.2
UK	(£)	1.4994	+0.0029	990 - 998	1.5011	1.4906	1.4973	0.5	1.4935	0.4	1.4835	0.4	83.0
Ecu	-	1.2256	+0.0006	252 - 259	1.2275	1.2217	1.2258	-0.7	1.228	-0.8	1.2369	-0.9	-
SDR†	-	0.68100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-	957 - 962	0.9999	0.9960	-	-	-	-	-	-	-
Brazil	(R$)	0.9921	-0.0001	920 - 921	0.9923	0.9920	-	-	-	-	-	-	-
Canada	(C$)	1.3621	+0.0002	618 - 623	1.3625	1.3561	1.3619	0.1	1.3622	0.0	1.365	-0.2	83.8
Mexico	(New Peso)	7.4720	+0.087	670 - 770	7.4780	7.4600	7.6335	-25.6	7.8165	-16.5	9.582	-28.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2582	-0.0089	579 - 587	1.2589	1.2579	1.2602	-1.6	1.2637	-1.7	1.2824	-1.8	94.2
Hong Kong	(HK$)	7.7353	-0.0008	348 - 358	7.7362	7.7345	7.738	-0.1	7.7378	-0.1	7.7648	-0.4	-
India	(Rs)	34.6000	-0.05	500 - 500	34.6800	34.2300	34.75	-5.2	35.055	-5.3	36.525	-5.6	-
Israel	(Shk)	3.2095	+0.0131	070 - 120	3.2136	3.2004	-	-	-	-	-	-	-
Japan	(Y)	104.675	-0.44	650 - 700	105.650	104.590	104.23	5.1	103.33	5.1	99.59	4.9	140.4
Malaysia	(M$)	2.4943	+0.0015	938 - 948	2.4960	2.4813	2.4992	-0.4	2.5060	-1.1	2.5248	-1.2	-
New Zealand	(NZ$)	1.4514	-0.0076	510 - 520	1.4583	1.4505	1.4545	-2.6	1.4605	-2.5	1.4849	-2.3	-
Philippines	(Peso)	26.1600	-0.005	200 - 000	26.2000	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-	500 - 504	3.7505	3.7500	3.7508	-0.1	3.7513	-0.1	3.7547	-0.1	-
Singapore	(S$)	1.4058	+0.0004	053 - 063	1.4073	1.4050	1.4022	3.0	1.3962	2.7	1.3784	2.0	-
South Africa	(R)	4.3725	+0.0425	675 - 775	4.3780	4.3250	4.4012	-7.8	4.4527	-7.3	4.676	-6.9	-
South Korea	(Won)	778.550	+0.3	500 - 600	779.200	778.450	-	-	-	-	-	-	-
Taiwan	(T$)	27.1705	-0.0005	690 - 720	27.1740	27.1660	27.1905	-0.9	-	-	-	-	-
Thailand	(Bt)	25.2600	-0.01	500 - 700	25.2880	25.2600	25.3388	-4.7	25.5625	-4.8	26.445	-4.7	-

† SDR rate per $ for May 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 1: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

May 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3¼	3¼	7.00	2.50	-
week ago	3¼	3¼	3¼	3¼	3¼	7.00	2.50	-
France	3⅞	3¾	3¾	3⅝	3⅝	3.70	-	5.60
week ago	3⅞	3¾	3¾	3⅝	3⅝	3.70	-	5.60
Germany	3.30	3.30	3.30	3.30	3.30	4.50	2.50	3.30
week ago	3.30	3.30	3.30	3.30	3.30	4.50	2.50	3.30
Ireland	5	5¼	5¼	5¼	5⅜	-	-	6.25
week ago	5	5¼	5¼	5¼	5⅜	-	-	6.25
Italy	9	8⅞	8⅞	8¾	8⅝	-	9.00	9.32
week ago	9	8⅞	8⅞	8¾	8⅝	-	9.00	9.32
Netherlands	2⅞	2⅞	2⅞	2⅞	3	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	2⅞	3	-	3.00	3.30
Switzerland	1⅞	1⅞	1⅞	1⅞	1⅞	5.00	1.50	-
week ago	1⅞	1⅞	1⅞	1⅞	1⅞	5.00	1.50	-
US	5¼	5⅜	5⅜	5½	5⅝	-	5.00	-
week ago	5¼	5⅜	5⅜	5½	5⅝	-	5.00	-
Japan	½	½	½	⅝	⅝	-	0.50	-
week ago	½	½	½	⅝	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5½	5⅝	5¾	-	-	-
week ago	-	5⅜	5½	5⅝	5¾	-	-	-
US Dollar CDs	-	5.13	5.15	5.29	5.58	-	-	-
week ago	-	5.13	5.15	5.25	5.55	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅝	-	-	-
week ago	-	4⅜	4⅜	4⅜	4⅝	-	-	-
SDR Linked Ds	-	3⅝	3¾	3¾	3⅞	-	-	-
week ago	-	3⅝	3¾	3¾	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.12	96.09	-0.04	96.14	96.08	19,333	65,454
Sep	96.10	96.06	-0.04	96.14	96.06	8,395	50,046
Dec	95.97	95.94	-0.04	95.98	95.92	3,009	29,015

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.85	96.80	-0.03	96.86	96.77	47611	207701
Sep	96.89	96.82	-0.05	96.90	96.78	44794	236404
Dec	96.69	96.61	-0.07	96.71	96.57	42377	165866
Mar	96.39	96.28	-0.08	96.39	96.25	24467	132823

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.37	91.31	-0.01	91.40	91.27	12711	32207
Sep	91.99	91.98	-	91.98	91.88	6853	31361
Dec	92.14	92.05	-0.01	92.15	92.05	2450	22592
Mar	92.10	92.01	-	92.10	92.01	1017	8990

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.15	98.12	-0.02	98.15	98.11	5014	25415
Sep	98.13	98.07	-0.04	98.13	98.04	6039	18100
Dec	97.87	97.79	-0.07	97.88	97.78	1709	11455
Mar	97.54	97.49	-0.08	97.55	97.48	421	4100

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.12	99.10	-0.01	99.12	99.10	57	na
Sep	-	98.77	-	-	-	0	na
Dec	98.45	98.44	-	98.45	98.44	1020	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.85	95.78	-0.05	95.85	95.75	1504	9198
Sep	95.84	95.77	-0.07	95.85	95.76	1375	4846
Dec	95.68	95.61	-0.07	95.68	95.61	83	3507
Mar	95.40	95.36	-0.08	95.40	95.37	80	1964

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.74	16.42	4.859	2.041	4959	5.436	20.88	498.3	404.1	21.74	3.959	2.115	4.316	3.170	331.8	2.586
Denmark	(DKr)	53.36	10	8.761	2.593	1.089	2646	2.900	11.14	266.4	215.6	11.80	2.112	1.128	2.304	1.691	177.0	1.380
France	(FFr)	60.90	11.41	10	2.959	1.243	3020	3.310	12.72	304.0	246.1	13.24	2.411	1.288	2.630	1.930	202.1	1.575
Germany	(DM)	20.58	3.857	3.379	1	0.420	1020	1.118	4.298	102.7	83.18	4.473	0.815	0.435	0.889	0.652	68.28	0.532
Ireland	(I£)	49.01	9.194	8.047	2.381	1	2430	2.663	10.23	244.7	198.0	10.65	1.940	1.036	2.116	1.553	162.6	1.267
Italy	(L)	2.017	0.378	0.331	0.098	0.041	100.	0.110	0.421	10.07	8.148	0.438	0.080	0.043	0.087	0.064	6.881	0.052
Netherlands	(Fl)	18.40	3.449	3.021	0.894	0.375	612.5	1	3.843	91.87	74.36	4.000	0.728	0.389	0.795	0.583	61.05	0.478
Norway	(NKr)	47.88	8.974	7.863	2.327	0.977	2374	2.602	10	239.1	193.5	10.41	1.896	1.013	2.068	1.518	158.9	1.238
Portugal	(Es)	20.03	3.754	3.289	0.973	0.409	993.2	1.089	4.183	100.	80.94	4.354	0.793	0.424	0.865	0.635	66.45	0.516
Spain	(Pta)	24.75	4.638	4.063	1.203	0.505	1227	1.345	5.168	123.5	100.	5.379	0.980	0.523	1.069	0.784	82.10	0.640
Sweden	(SKr)	46.00	8.622	7.554	2.235	0.939	2281	2.500	9.607	229.7	185.9	10	1.821	0.973	1.986	1.458	152.6	1.190
Switzerland	(SFr)	25.26	4.735	4.148	1.228	0.515	1253	1.373	5.276	126.1	102.1	5.491	1	0.534	1.091	0.801	83.81	0.653
UK	(£)	47.29	8.863	7.785	2.298	0.965	2345	2.570	9.876	236.1	191.1	10.28	1.872	1	2.042	1.499	156.9	1.223
Canada	(C$)	23.18	4.340	3.803	1.125	0.473	1148	1.258	4.836	115.6	93.58	5.034	0.917	0.490	1	0.734	76.84	0.599
US	($)	31.55	5.913	5.180	1.533	0.644	1564	1.714	6.588	157.5	127.5	6.858	1.248	0.667	1.362	1	104.7	0.816
Japan	(Y)	30.14	5.649	4.949	1.465	0.615	1495	1.638	6.294	150.5	121.8	6.552	1.193	0.637	1.301	0.955	100.	0.779
Ecu		38.67	7.247	6.349	1.879	0.789	1917	2.101	8.075	193.0	156.3	8.406	1.531	0.818	1.670	1.226	128.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6525	0.6533	+0.0008	0.6543	0.6513	17,148	85,490
Sep	0.6560	0.6572	+0.0007	0.6572	0.6553	288	3,627
Dec	-	0.6610	+0.0008	0.6610	0.6600	4	582

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9553	0.9604	+0.0053	0.9610	0.9516	14,514	63,328
Sep	0.9640	0.9720	+0.0055	0.9720	0.9640	351	2,610
Dec	-	0.9778	-	-	-	12	1,095

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8033	0.8026	-0.0004	0.8058	0.7999	13,969	42,896
Sep	0.8087	0.8095	-0.0007	0.8095	0.8075	379	1,891
Dec	-	0.8156	-0.0022	-	0.8156	1	681

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4910	1.4968	+0.0066	1.4980	1.4890	21,984	58,700
Sep	1.4926	1.4960	-0.0074	1.4960	1.4920	69	254
Dec	-	1.4930	+0.0058	1.4930	-	1	34

UK INTEREST RATES

LONDON MONEY RATES

May 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6⅛	6 1/16 - 5 15/16	6⅛ - 6	6⅛ - 6	6 7/32 - 6⅛	6 7/16 - 6 5/16
Sterling CDs	-	-	6 - 5 15/16	6 - 5 15/16	6 3/32 - 5 31/32	6 7/32 - 6 3/32
Treasury Bills	-	-	5 29/32 - 5 27/32	5⅞ - 5 13/16	-	-
Bank Bills	-	-	5 15/16 - 5⅞	5 29/32 - 5 27/32	5⅞ - 5 13/16	-
Local authority deps.	5 13/16 - 5 11/16	5 15/16 - 5 13/16	6 - 5⅞	6 - 5⅞	6 1/16 - 5 15/16	6 5/16 - 6 3/16
Discount Market deps	6⅞ - 6	6⅛ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Apr 26, 5.7940pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.33pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.079pc. Finance House Base Rate 6.5pc from May 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.04	94.00	-0.03	94.07	93.98	11116	79982
Sep	93.91	93.82	-0.07	93.93	93.78	14099	60447
Dec	93.60	93.48	-0.08	93.61	93.44	18316	59196
Mar	93.16	93.01	-0.12	93.17	92.98	12519	46704
Jun	92.75	92.60	-0.13	92.77	92.57	5812	38460

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9400	0.08	0.11	0.14	0.08	0.29	0.86
9425	0.02	0.04	0.08	0.27	0.47	0.85
9450	0	0.02	0.04	0.50	0.70	1.06

Est. vol. total, Calls 6219 Puts 4831. Previous day's open int., Calls 135697 Puts 116902

BASE LENDING RATES

	%
Adam & Company	6.00
Allied Trust Bank	6.00
AIB Bank	6.00
●Henry Ansbacher	6.00
Bank of Baroda	6.00
Banco Bilbao Vizcaya	6.00
Bank of Cyprus	6.00
Bank of Ireland	6.00
Bank of India	6.00
Bank of Scotland	6.00
Barclays Bank	6.00
Brit Bk of Mid East	6.00
●Brown Shipley & Co Ltd	6.00
Citibank NA	6.00
Clydesdale Bank	6.00
The Co-operative Bank	6.00
Coutts & Co	6.00
Credit Lyonnais	6.00
Cyprus Popular Bank	6.00
Duncan Lawrie	6.00
Exeter Bank Limited	7.00
Financial & Gen Bank	7.00
●Robert Fleming & Co	6.00
Girobank	6.00
●Guinness Mahon	6.00
Habib Bank AG Zurich	6.00
●Hambros Bank	6.00
Heritable & Gen Inv Bk.	6.00
●Hill Samuel	6.00
C. Hoare & Co	6.00
Hongkong & Shanghai	6.00
Julian Hodge Bank	6.00
●Leopold Joseph & Sons	6.00
Lloyds Bank	6.00
Meghraj Bank Ltd	6.00
Midland Bank	6.00
• Mount Credit Corp	6.25
NatWestminster	6.00
●Rea Brothers	6.00
Royal Bk of Scotland	6.00
●Singer & Friedlander	6.00
●Smith & Williamson Secs	6.00
TSB	6.00
United Bank of Kuwait	6.00
Unity Trust Bank Plc	6.00
Western Trust	6.00
Whiteaway Laidlaw	6.00
Yorkshire Bank	6.00

● Members of London Investment Banking Association
• In administration

EMS EUROPEAN CURRENCY UNIT RATES

May 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.810	+0.154	-2.27	3.43	16
Netherlands	2.15214	2.13626	-0.00111	-0.74	1.84	5
Belgium	39.3960	39.2740	+0.0035	-0.31	1.40	2
Austria	13.4383	13.4389	-0.0013	0.00	1.08	-0
Portugal	195.792	196.075	+0.319	0.14	0.94	-1
Germany	1.91007	1.91019	-0.00013	0.01	1.08	-0
France	6.40608	6.45053	-0.00091	0.69	0.39	-6
Denmark	7.28580	7.36352	-0.002	1.07	0.02	-7
Ireland	0.792214	0.800624	+0.000287	1.06	0.00	-7
NON ERM MEMBERS						
Greece	292.867	303.621	-0.408	3.67	-2.49	-
Italy	2106.15	1947.11	-5.64	-7.55	9.34	-
UK	0.786652	0.830209	+0.002029	5.54	-4.22	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.480	1.38	1.97	2.38	0.21	0.88	1.33
1.490	0.72	1.40	1.83	0.55	1.30	1.77
1.500	0.31	0.96	1.38	1.14	1.85	2.32
1.510	0.08	0.62	1.01	1.92	2.51	2.89
1.520	-	0.37	0.72	2.78	3.21	3.59

Previous day's vol., Calls 7,358 Puts 6,368 . Prev. day's open int., Calls 162,732 Puts 177,907

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.51	94.46	-0.05	94.51	94.45	34,586	372,234
Sep	94.30	94.22	-0.07	94.31	94.20	50,979	352,535
Dec	94.00	93.88	-0.11	94.02	93.86	130,574	335,890

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.00	94.97	-0.02	95.01	94.97	282	8,727
Sep	94.80	94.72	-0.08	94.80	94.72	371	5,309
Dec	-	94.45	+0.02	94.56	94.45	7	873

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.06	0.09	0.16	0.16	0.01	0.04	0.09	0.12
9700	0	0.01	0.04	0.07	0.20	0.21	0.22	0.25
9725	0	0	0.01	0.02	0.45	0.45	0.44	0.46

Est. vol. total, Calls 11324 Puts 3827. Previous day's open int., Calls 346201 Puts 358442

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.03	0.08	0.08	0.16	0.26	0.54
9850	0.01	0.03	0.03	0.39	0.46	0.74

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5245 Puts 3071

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9125	0.22	0.75	1.00	0.18	0.12	0.20
9150	0.10	0.58	0.81	0.29	0.20	0.26
9175	0.06	0.42	0.64	0.50	0.29	0.34

Est. vol. total, Calls 3356 Puts 910. Previous day's open int., Calls 32007 Puts 18253

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	–5	[illegible]	478½	5,145	5.9	18.0
Bulmer (HP)	[illegible]	610	–5	625	413	322.1	2.5	19.1
Burn St Dist	[illegible]	[illegible]	–1	146	107	78.0	5.3	25.5
Grand Met	[illegible]	429	–5	467	374	[illegible]	4.3	18.5
Guinness	[illegible]	[illegible]	–5	[illegible]	435	[illegible]	3.9	15.6
Highland	[illegible]	[illegible]	–3	[illegible]	315	[illegible]	2.7	17.1
Kirin Y	[illegible]	847½	–5	[illegible]	621	[illegible]	0.8	31.7
Macallan-Glen	[illegible]	[illegible]	—	277	188	[illegible]	1.1	35.1
Macdon Martin A	[illegible]	[illegible]	—	[illegible]	600	[illegible]	2.2	17.8
Matthew Clark	[illegible]	771	–1	777	[illegible]	[illegible]	3.6	–
Merrydown	[illegible]	129	+4	140	[illegible]	13.1	2.1	–
Seagram $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	–
Cater Allen	[illegible]	441	—	[illegible]	424	[illegible]	5.8	7.3
Close Bros	[illegible]	[illegible]	–1	[illegible]	281½	[illegible]	2.9	17.8
Gerrard & Nat	[illegible]	[illegible]	–1	472	[illegible]	[illegible]	7.1	12.8
Hambros	[illegible]	[illegible]	–2	[illegible]	180	[illegible]	3.8	–
7¾pc Cv Pf	[illegible]	[illegible]	—	117	94½	[illegible]	[illegible]	–
King & Shaxson	[illegible]	[illegible]	+7	[illegible]	[illegible]	[illegible]	6.9	12.7
Laopold J	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	15.5
Rea Brothers	[illegible]	[illegible]	—	[illegible]	44	[illegible]	2.2	27.5
Schroders	[illegible]	[illegible]	–30	[illegible]	1050	[illegible]	1.8	17.7
N/V	[illegible]	[illegible]	+3	[illegible]	[illegible]	[illegible]	1.9	14.4
Singer & Fried	[illegible]	[illegible]	–1	116	90	[illegible]	4.4	9.1
8¾pc Cv Ln 09/14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	.....	£34½	£29½	2,038	2.7	φ
Barlow		57⅞	.....	210½	18⅞	1,542	1.7	φ
Gold Flds Prop R		137xd	+7	170	130	24.0	8.7	10.0
MK Props		75	.....	98	75	3.01	13.0	-
SASOL	♥	681	-7	710	475	3,888	1.7	-
SA Brews		£19⅝	-⅛	£20½	£17½	5,788	1.6	30.2
Standard Bank	☐	£26½	-⅛	£32½	£20⅜	2,836	1.5	19.6
Tiger Oats		875	.....	1270	850	1,376	1.9	φ
Tongaat-Hulett		893	.....	1247	885	845.3	2.2	φ

GUIDE TO LONDON SHARE SERVICE

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Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(b) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

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Murray Universal, Sicav

Pacific Basin Growth Fund

River & Mercantile Latin American SICAV

The Dragon Fund Sicav

The First Korea Smaller Companies Fund

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Fidelity Intl Inv Mngt (Luxembourg) SA

Lombard Odier Invest (a)

MFS International Funds

Mercury Asset Management SA

Merrill Lynch Asset Management

Swiss Bank Corporation

Van Kampen American Capital

World Trust Fund

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

CMI Insurance Co Ltd

Royal Life International

Equitable Life (International)

Friends Provident International

Irish Life International Ltd

Isle of Man Assurance Ltd

Midland Life International Ltd

OTHER OFFSHORE FUNDS

AXA Investment Managers

Africa Emerging Markets Fund

Arc Investment Company Ltd

CA Securities Asset Mgmt Ltd

CDC International

CH Fund Managers (Bermuda) Limited

Chesapeake Capital Corporation

Discover Investment

EBS Overseas Fund Ltd

East Europe Development Fund Ltd

Emerging Markets Investment Group

Forex Professionals (Cayman) Ltd

Gaia Currency Funds

GEM Dolphin Investment Managers Limited

Global Asset Management - Contd.

Group One International Tst

Jardine Fleming Unit Trusts Ltd

Johnson Fry Securities Ltd

Lloyds Bank International (Bahamas) Ltd

LGT Asset Management PLC

MD Sass Re/Enterprise International Ltd

Merrill Lynch Company

Orbitex Management Ltd

Regent Kingpin Capital Management Ltd

Schroder Investment Management Limited

Scudder, Stevens & Clark Inc

Selective Assets Series Fund Limited

Sri Lanka Growth Fund

Taiwan American Fund Limited

Templeton Galbraith & Hansberger Ltd

The Thailand Fund

The Thai Prime Fund Limited

The Thailand Intl Fund Ltd

Trans Global Funds Group

The MC Fund Ltd

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Sequence of blows sees Footsie crumple

By Steve Thompson, UK Stock Market Editor

An early powerful showing by UK equities was blown to pieces by the close of trading yesterday, as the market was hit by a series of damaging blows.

These included much stronger than expected economic news from the US, which hit the Treasury bond market and Wall Street, and a statement from the government emphasising that it will enforce its golden shares regarding the two English generators, National Power and PowerGen.

Other factors contributing to the market's increasingly vulnerable position included a profits warning from Great Universal Stores and a growing feeling among dealers that the outcome of the local elections could be even worse than some of the arch-doomsters have been predicting.

And political rumours grew in intensity as the day wore on, with talk of a snap general election in June also circulating around the City's trading desks.

Up more than 23 points and seemingly comfortably clear of the 3,800 level in mid-morning, the FT-SE 100 index subsequently plummeted to end a shock laden trading session a net 29.6 lower at 3,776.4. The damage wrought across the market was much less severe in the second liners, where the Mid 250 index eased 2.4 to 4,537.7.

What could well be the blow that causes the most damage to the London market was delivered after the market closed with news that the long running merger talks between BT and Cable and Wireless have been terminated.

The potential merger of the two telecoms giants had been one of the main driving forces behind the UK market's move to record levels last month.

Dealers said that expected heavy falls in both BT and C&W this morning could knock at least 15 to 20 points off the FT-SE 100, with the most serious damage seen in C&W.

They added that the impact on sentiment caused by the telecoms news could be much worse this morning. ADRs in both stocks were down some 4 per cent during trading on Wall Street.

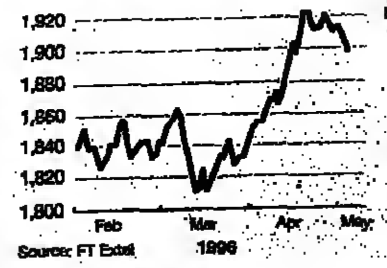
The doom and gloom at the close was in sharp contrast to the market's early performance, when the FT-SE 100 was sailing along happily and the market was once again talking about the potential for more bids in the utilities.

Sentiment in the market began to turn around midday, but the first real blow was delivered in the early afternoon with news that the flash figure for US gross domestic product in the first quarter came out at a much stronger than expected 2.8 per cent. The Dow Jones Industrial Average dropped some 40 points in early trading.

Strategists now fear that the April non-farm payroll report, traditionally one of the most potent economic pointers to the US economy, will show another big rise in new jobs.

Such news could accelerate the chances of a rise in US interest rates, it was feared, and make traders cautious. "With London closed on Monday, marketmakers will be reluctant to go home on Friday night with any long positions," remarked one market observer.

FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Indices and ratios

FT-SE 100	3776.4	-29.6	FT Ordinary index	2809.7	-21.6
FT-SE Mid 250	4537.7	-2.4	FT-SE-A Non Fins p/e	17.39	17.53
FT-SE-A 350	1914.1	-11.8	FT-SE100 Fut Jun	3767.0	-50.0
FT-SE-A All-Share	1898.63	-10.76	10 yr Gilt yield	8.16	8.03
FT-SE-A All-Share yield	3.72	3.70	Long gilt/equity yld ratio:	2.27	2.25

Best performing sectors

1 Insurance +0.7
2 Extractive Inds +0.6
3 Other Financial +0.2
4 Engineering: Vehicles +0.2
5 Engineering +0.2

Worst performing sectors

1 Electricity -1.5
2 Retailers: General -1.4
3 Retailers: Food -1.4
4 Banks: Merchant -1.4
5 Household Goods -1.3

Telecom takeover shock

Shock news that telecoms giant BT had terminated merger talks with Cable and Wireless came after market hours, but traders were bracing themselves for a frantic session today.

A consensus suggested that BT could open some 20p lower this morning and that the abandonment of negotiations could leave C&W trailing by up to 60p.

However, there was also plenty of betting that the bid story was far from over. "C&W remains firmly in play. BT might have scratched from the race but there are other potential runners," said one analyst.

Last night, traders were reassessing other potential predators. Deutsche Telekom, AT&T and German utility Veba – which has a 10 per cent stake in C&W – were the most talked about candidates.

BT closed off 8 at 352p, mostly pushed lower by the general shakeout in equities. C&W ended 3½ better at 524p.

Power setback

A chronic case of the political jitters was one interpretation behind the government's commitment to retain its golden share in the generators.

The share prevents a single investor from owning more than 15 per cent of either National Power or PowerGen, and yesterday's announcement effectively killed off the approach for the former by Southern, of the US. Share prices responded. National Power dropped 32 to 527p and PowerGen 12 to 536p.

Mr Angelos Anastasiou of Panmure Gordon commented: "Perhaps the government sees it [a sale to an overseas buyer] as not being good in the run-up to a general election."

Mr Philip Hollobone of Williams de Broë pointed out that the generators were now in a quandary following the equally surprising decision last week that the trade and industry secretary had vetoed their respective bids for regional electricity companies (recs). "They cannot bid and they cannot be bid for," he said. However, he believes that the market only focused on one side of the argument.

"They will be left with a pile of cash and at this price I would not think shareholders should sell," he said.

He believes that with the bid premium now eroded, investors can look forward to some sort of a cash distribution with the companies' figures in three weeks time.

The sidelining of the generators shifted the spotlight back to the remaining independent recs.

East Midlands advanced 10 to 624p, London 13 to 826p, Yorkshire 7 to 817p, Northern 6 to 647p, Southern 4 to 830p and Midlands 5 to 385p.

CU recommended

Commercial Union moved smartly forward with the help of a vigorous push from one broker and some background takeover talk.

Credit Lyonnais Laing, which had previously seen the stock as the best of a bad lot in the sector, turned more enthusiastic after taking a close look at some encouraging first-quarter figures announced on Wednesday.

Also, SBC Warburg was advising clients to switch from Prudential into CU on valuation grounds.

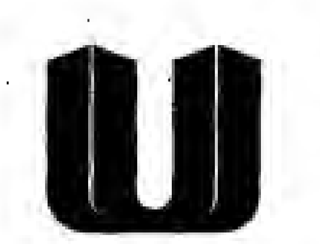
Finally, there was a ripple of bid talk. Société Générale was cited as a potential suitor, due to its stake of just under 6 per cent in Commercial Union, and so, bizarely, was Royal Bank of Scotland, which fell 11 to 498p. CU rose 17 at one stage and ended 9 up at 590p, while Pru eased 2 to 450p.

GUS warning

Great Universal Stores plunged 30 to 687p after the normally reticent group issued a stark profits warning.

FINANCIAL TIMES EQUITY INDICES

	May 2	May 1	Apr 30	Apr 29
Ordinary Share	2809.7	2831.3	2838.8	2835.1
Ord. div. yield	3.95	3.92	3.91	3.91
P/E ratio net	18.53	18.67	18.71	18.70
P/E ratio nil	18.31	18.44	18.48	18.47



Unilever

First Quarter Results 1996

RESULTS

	1996	1995	Increase
	£m unaudited		
Turnover	7,689	7,188	7%
Operating profit	564	507	11%
Profit before taxation	509	463	10%
Taxation	(178)	(154)	
Minority interests	(13)	(8)	
Net profit at constant 1995 exchange rates	318	301	6%
Profit at exchange rates current in each period			
Profit before taxation	513	460	12%
Net profit	321	300	7%
Combined earnings per share	17.11p	16.04p	7%

per 5p of ordinary capital

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 2 / Sch)

BELGIUM/LUXEMBOURG (May 2 / Frs.)

CZECH REP (May 2 / Koruna)

DENMARK (May 2 / Kr)

FINLAND (May 2 / Mka)

FRANCE (May 2 / Frs.)

GERMANY (May 2 / Dm.)

GREECE (May 2 / Drachma)

ITALY (May 2 / Lire)

NETHERLANDS (May 2 / Fls.)

NORWAY (May 2 / Kroner)

POLAND (Apr 30 / Zloty)

PORTUGAL (May 2 / Escudo)

SPAIN (May 2 / Pts.)

SWEDEN (May 2 / Kronor)

SWITZERLAND (May 2 / Frs.)

TURKEY (May 2 / Tk.Lira)

PACIFIC

JAPAN (May 2 / Yen)

HONG KONG (May 2 / H.K.$)

INDONESIA (May 2 / Rupiah)

MALAYSIA (May 2 / MYR)

NEW ZEALAND (May 2 / NZ $)

SINGAPORE (May 2 / S$)

AUSTRALIA (May 2 / Aust$)

SOUTH KOREA (May 2 / Won)

TAIWAN (May 2 / TW $)

THAILAND (May 2 / Baht)

AFRICA

SOUTH AFRICA (May 2 / Rand)

NORTH AMERICA

CANADA

TORONTO (May 2 / Can $)
4 pm close

MONTREAL (May 2 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in 80 $.

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INDICES

INDEX FUTURES

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US INDICES

Dow Jones

■ RATIOS

	Apr 26	Apr 19	Apr 12	Year ago
Dow Jones Ind. Div. Yield	2.17	2.17	2.17	2.55
	May 1	Apr 24	Apr 17	Year ago
S & P Ind. Div. yield	1.86	1.87	1.90	2.22
S & P Ind. P/E ratio	21.60	21.43	21.13	18.70

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Zenith	10,111,000	12⅝	+2⅞
WalMart	9,436,000	23¼	+⅜
Enersis	7,597,500	30¼	+½
Ford Motor	5,171,400	35⅝	+⅞
Micron	4,293,600	36⅝	+¼
Bay Network	4,238,000	32¼	+¾
Telefonos	3,443,700	34½	+⅜
Crompton	2,838,900	15	−⅛
WMX Tech	2,634,400	34⅝	+⅜
CUC Intl	2,564,400	34¼	+1⅛

■ TRADING ACTIVITY

● Volume (million)

	May 1	Apr 30	Apr 29
New York SE	403.303	393.171	342.516
Amex	34.690	29.118	27.881
NASDAQ	669.959	619.427	568.602
NYSE			
Issues Traded	3,142	3,129	3,138
Rises	1,313	1,152	1,082
Falls	1,023	1,200	1,233
Unchanged	806	777	813
New Highs	130	110	129
New Lows	9	15	15

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	656.40	652.30	−4.15	657.20	651.45	60,740	178,926
Sep	657.00	657.25	−4.75	657.80	657.00	1,114	7,640

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	21770.0	21640.0	-150.0	21800.0	21510.0	23,621	269,346
Sep	21830.0	21650.0	-240.0	21650.0	21650.0	47	15,562

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, May 2, 1996

	Stocks Traded	Closing Prices	Change on day
Janome Sewing	11.2m	518	+75
Gun-Ei Chem Ind	11.0m	659	+39
Sakai Heavy Ind	8.2m	1240	+200
Nippon Stl Corp	6.0m	369	-3
Hokuriku Elect	4.9m	811	+22
Toshiba Corp	4.6m	803	
NOK Corp	4.3m	1040	-10
Ichikoh Inds	3.9m	658	+21
NKK Corp	3.8m	328	-2
Tokyu Corp	3.4m	815	-15

NEW YORK STOCK EXCHANGE PRICES

4 pm close May 2

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	19⅛	AAR	0.40	2.4	22	201	20⅝	20⅛	20¼	-¼
48⅛	36⅞	AMP x	1.80	2.4	21	4942	44	42¾	42¾	-1⅜
94	00	AMR			22	4831	90½	88⅜	88½	-1½
50½	37⅛	ASA	2.00	4.4	28	881	45⅞	44⅞	45	-⅜
44¾	35⅛	AbbotL	0.96	2.4	13	10847	40⅝	39⅞	39⅞	-¾
17¼	13⅞	Abitibi Pr	0.40	2.8	7	637	14½	14¼	14⅜	-⅛
36⅛	27	ABM Ind	0.70	2.0	18	57	34⅛	34¼	34¼	
16⅞	13⅞	Acptocela			58	329	16⅜	16⅛	16⅝	-⅛
50⅞	37¾	ACE Ltd	0.58	1.0	10	3285	44⅞	43⅝	44⅛	-⅞
9⅞	9⅛	ACM Gvt In	0.90	9.2	0	386	9¾	8⅞	9¾	
7⅞	6⅝	ACM GvOpp	0.57	8.3		300	7	6⅞	6⅞	-⅛
7¼	6¼	ACM Gvt Sp	0.88	10.4		1087	6⅞	6¼	6⅞	
9½	8¼	ACM Gvt Se	0.90	10.4		206	8¾	8⅞	8¾	-⅛
8½	6⅞	ACM Man	0.90	10.6		124	9⅛	9	9	
30¾	16½	AcmeCle x	0.52	1.7	7	290	30⅛	29⅞	30	-⅛
13⅞	8⅛	Acme Elect			55	265	10⅜	9¾	10	-½
32⅝	27¾	Acordia	0.72	2.2	19	14	u32⅞	32⅛	32⅞	+⅛
20¼	12	Acuson			88	1629	19⅛	18⅞	19	
19½	18¾	Adams Expr	1.68	0.8	8	283	19	18⅞	18⅞	
21¼	16⅛	AdvMic			6	11567	19¼	19⅛	19⅞	+¼
11⅛	8½	Advest Grp	0.16	1.6	7	28	10⅛	10	10⅛	+⅛
26⅛	9⅛	Advo Inc	0.10	1.0	57	82	10½	10¼	10⅝	-⅛
49½	47⅛	Aegon	1.23	2.5	10	35	49½	48	48½	+½
5⅛	3½	Aerfix			9	2391	u5⅛	4⅞	x⅞	-¼
78¾	66⅞	AetnaL x	2.76	4.0	10	15542	71	68	68½	-2½
33	28¾	Aflac	0.40	1.3	12	4080	30⅞	30⅛	30⅛	-¼
20⅛	17½	AGL Res	1.00	5.7	16	326	19	18⅝	18⅞	-¼
26¾	21¼	Ahmson	0.80	3.6	6	2635	23⅝	23⅞	23¼	-⅛
59¼	50⅞	AirPrC	1.84	1.8	10	1425	57⅞	56⅝	57⅛	+⅜
28⅜	23½	Airbne Frt	0.60	1.1	24	186	28½	28	28⅛	-⅞
22⅞	16½	Airgas Inc			00	1299	21⅞	20⅞	20⅞	-1⅜

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅞	18½	Baldor Elc	0.36	1.7	18	112	21½	21⅛	21⅛	-¼
32¼	25¾	BallCp	0.60	2.0	28	668	30½	29¾	30¼	-¼
20⅞	18	BltGMd	0.96	6.4	24	230	20⅛	16½	19½	-⅛
23⅞	12¾	Bally			17	3139	20½	19⅞	20	-½
29½	25⅞	BaltGE	1.56	0.8	12	1326	26⅞	26⅛	26¾	-¼
38½	32	BncOne	1.36	4.0	11	3126	34⅜	33⅝	33⅞	-1
40½	35¼	BancoBil V	0.88	1.0	15	23	37⅝	37⅜	37⅜	
11⅞	9¾	BCH	0.26	2.5	7	126	10¾	10½	10½	-⅛
37⅝	33⅛	BcpHawaii	1.12	3.1	12	609	37¼	36½	36½	-¾
55⅞	40⅜	Bandag	0.60	1.8	15	290	50¼	49¾	50¼	
80⅞	58¾	BankAm	2.19	3.0	19	8510	74⅞	72⅜	72⅞	-3⅜
86	79	Bank Bost	5.48	7.0		z10	78	d78	78	
50⅜	47½	BkBstn x	1.79	3.8	10	6100	48	46¾	46⅞	-1⅛
46⅝	44	Bk Bostn P	3.00	6.8		z100	44⅛	44⅛	44⅛	+⅛
55⅛	43½	BankNY	1.00	3.4	19	6294	48¼	47½	47½	-1
23¾	19¾	BTM ADR	0.07	0.3	170	2	23	22⅞	22⅞	-⅛
31	45⅝	BankAm A	3.25	7.1		16	46⅝	d45⅝	45⅝	-1
93	84	BankAm B	6.00	7.1		0	84⅞	d84	84	-¾
72⅞	31	BnkTst	4.00	3.9	11	1957	68⅞	67⅞	67⅞	-1⅛
31	42	Bclays	1.00	2.4	6	67	44⅞	44	44½	+⅛
37⅞	29½	Bard (C R) x	0.64	1.0	22	828	36⅞	35⅞	35⅞	-½
47	36	Barnes Grp	1.00	3.9	11	32	46⅝	46⅛	46⅞	-⅛
64⅞	55¼	BarnBk	1.88	3.0	11	2044	62¾	62	62⅞	-1
32⅞	28⅝	BrckGd	0.12	0.4	38	17281	30¾	29⅞	30¼	-¼
19⅝	14⅞	Barry(RG)			16	254	17¼	17⅜	17⅜	-⅛
11⅝	8½	BattMt	0.05	0.6	124	4144	9	9¾	8¾	-⅛
41⅞	36⅛	Bausch	1.04	6.8	19	779	39⅞	39⅜	29½	-½
47½	38¾	Baxter	1.13	2.0	10	3462	44⅛	43⅜	43⅞	-¼
43⅞	38	BayNwks			28	26596	32⅞	31⅜	32	-¼
28⅞	26½	Bay St Gas	1.50	5.5	12	61	27⅞	27⅜	27⅞	-¼
40⅞	23¼	BBN				9	666	28⅝	26⅜	27⅜	-1⅛
22⅞	20¼	Bd Tr 1838	1.56	7.0		12	29⅞	20½	20⅝	
8½	7⅜	BEA IncFd	0.77	0.9		179	8¼	8	9⅛	-⅛
9⅝	8½	Bea Strat	0.81	9.4		48	8⅜	6⅞	8⅝	-⅛
00⅜	19⅛	Bear Strns	0.60	2.4	0	1780	25¼	24½	24⅝	-⅞
44½	41	BearStPfA	2.75	6.3		2	45⅛	43½	43½	
33¾	24	Bearings	0.58	1.8	17	217	32	31½	31½	-⅝
41⅞	33½	Beckman In	0.52	1.4	28	492	37⅝	36¾	38⅞	-⅛

4 pm close May 2

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14½	9⅜	Schlz			3	6790	11⅛	10⅝	10⅝	
27⅞	18⅝	Schwab(C) x	0.18	0.7	23	2882	24½	23½	23½	-1⅛
28⅞	22¼	SchwMaud			13	166	26⅞	26½	26⅝	-⅜
19¾	13⅛	SciAtl	0.06	0.3	48	1677	18¾	18	18¼	-⅝
19⅝	17	Scotsman	0.10	0.5	11	152	u19⅝	19¼	19⅝	-¼
43½	38⅛	Scripps	0.52	1.2	25	540	43	42½	42½	-⅛
16⅛	14½	ScuddrNAF	0.02	0.1		52	15⅞	15¾	15¾	-⅛
12½	11	ScuddrMSuF	0.19	1.3		236	12¼	12¼	12⅛	-⅛
19⅛	18	SeaCntB	0.70	3.9	2	11	18⅛	18⅛	18⅛	
10	15⅛	SeaC1 4625	1.46	0.4		2	15⅝	15⅝	15⅝	
67¾	44¼	S'gate			22	14702	60¼	58⅞	58½	-1¾
38⅛	31¾	Seagrm	0.68	1.8	22	7125	33⅝	33	33⅛	-½
24⅝	17⅛	Seagull En			18	640	u24⅛	24⅛	24⅝	
35¾	28	Sealed Air			28	588	35½	34	34½	-⅛
53¼	38¼	SearsR	0.92	1.8	14	12815	51¾	40⅛	50	-1
22¼	19¼	SecCapStr	1.24	5.9	20	316	21	20⅞	20⅞	
13	11⅞	Seligm Sel	0.84	6.8		68	12⅛	12¼	12⅜	
23¾	13⅝	Sensormat x	0.22	1.0	74	1592	21¼	20½	21	-⅝
35¾	26½	SequaA	0.60	1.7	62	38	u35¾	35¼	35½	+¼
41⅛	39	SequaB	0.50	1.2	71	19	40½	40½	40½	-½
53½	38⅞	ServCo	0.48	0.9	27	1932	52⅝	51⅝	51⅝	-1
33½	28⅛	SvMstr	0.96	3.0	14	109	31⅞	31⅛	31⅞	
6	4½	ServMerch			9	4978	4⅞	4¾	4¾	-⅛
48¼	20½	SGSThom			10	4084	47⅛	44½	44⅞	-2
15⅛	10⅝	Shaw Ind	0.30	3.4	37	3173	12⅝	12⅜	12⅜	-¼
12⅞	10⅝	Shelby Wil x	0.28	2.4	14	13	12⅛	11⅞	11⅞	-⅛
83½	76⅝	ShellTr	3.30	4.2	17	394	79¼	78⅛	78¼	-1
46⅞	39	SherW	0.70	1.5	10	2005	46½	45¾	45⅞	-⅞
12¼	7⅞	Shoneys			12	1147	11⅞	11⅛	11⅞	+⅛
33¼	21	Showboat	6.16	0.3	37	270	33⅞	31⅞	31¾	-¼
25½	32⅜	Sierra Pac	1.16	5.0	11	112	24⅛	23⅝	23¾	-⅛
8	5½	SignalApp			1	14	6¾	5¾	5¾	
27¼	21⅞	Signet Bnk x	0.50	3.3	12	4017	24½	24	24	-⅝
30⅛	21¼	SiliconGr			23	9446	30⅛	28⅞	29⅛	-¾
9¾	7⅞	Sizeler	1.12	13.4	33	201	8⅜	8¼	8⅜	+⅛
[illegible]										
7⅛	6½	Zenix Inc	0.72	10.5		57	6⅞	6⅞	6⅞	
10¼	15⅛	Zero	0.12	0.7	17	320	17⅞	17½	17⅝	-⅛
23¾	19⅜	Zurn Ind	0.40	2.0	15	472	20⅝	20⅛	20⅛	-⅜
11⅜	10¾	Zweig Fund	1.12	10.0		162	11¼	11⅛	11¼	
9	8½	Zweig Totl	0.84	9.7		1349	8¾	d8½	8⅝	-¼

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

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AMEX PRICES

4 pm close May 2

[illegible]

NASDAQ NATIONAL MARKET

4 pm close May 2

[illegible]

AMERICA

US stocks fall after release of GDP data

Wall Street

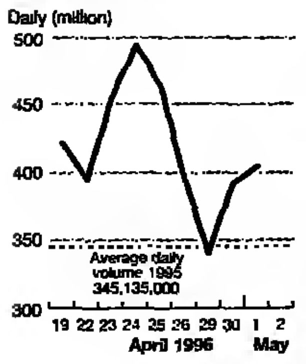
Tumbling bond prices pulled US equities lower in midsession trading yesterday as investors in both markets were surprised by strength in the gross domestic product figures released by the Commerce Department, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 42.99 at 5,532.23, the Standard & Poor's 500 had fallen 5.95 to 648.63 and the American Stock Exchange composite was down 1.51 at 592.27.

Volume on the New York SE came to 200m shares.

The Nasdaq composite was also lower, indicating that it would not stretch its streak of record closes to eleven. In early trading the Nasdaq fell 5.63 to stand at 1,194.03.

NYSE volume



The Commerce Department said that GDP grew by 2.8 per cent in the first quarter, much *faster* than the 1.6 *per cent* growth most economists had expected.

Those figures added to fears that inflationary pressures could emerge and caused broad selling among inflation-wary bond investors. The benchmark 30-year Treasury was 1½ points lower by early afternoon with the yield up to 7.015 per cent.

Interest rate-sensitive commercial banks were among the hardest hit sectors. J.P. Morgan, which is a component of the Dow, receded $1¼ to $83⅞. Chase Manhattan Bank fell $1⅞ to $67⅜, Citicorp lost $1⅝ at $77⅞, Wells Fargo was off $6 at $238⅞ and BankAmerica shed $1⅞ to $73⅞.

Cyclical issues, which stand to benefit from a strong economy, held their ground better than shares in consumer goods companies, which are seen as a hedge against economic weakness.

The Morgan Stanley index of cyclical issues fell 0.3 per cent, compared with a 1.4 per cent loss in the counterpart index of consumer shares.

Sliding consumer goods companies included Philip Morris, $1⅛ lower at $89⅞, while McDonald's lost $1 at $47⅞, Coca-Cola shed $1⅛ to $80⅛ and Merck fell $1⅞ to $58⅝.

Quantum Health Resources jumped $1⅞ or 12 per cent to $16⅛ on news that the health services company had agreed to be acquired by Olsten for about $273m. Shares in Olsten slipped $1⅞ to $42⅝.

A number of semiconductor companies got a boost from news that an influential analyst at Soundview Financial Group had upgraded his investment ratings on their shares.

Texas Instruments added $1⅛ at $57⅞, Applied Materials gained $1⅛ at $40⅞ and Micron Technology rose $⅞ to $37⅞.

Canada

Toronto remained in negative territory in midsession trade, although up from opening lows, and the TSE-300 composite index was 8.43 weaker by noon at 5,142.70 in volume of 50.9m shares.

Bre-X Minerals, the gold property owner, was sharply higher for the third successive session, rising C$9 to C$214.

Lytton Minerals, the diamonds and gold company, was heavily traded, losing 5 cents to C$3.85.

Loewen Group, the funeral services company, relinquished C$1.15 to C$39.05 as the chief executive forecast that earnings would be lower in the first quarter, although higher for the full year.

Mexico swap pleases

Mexican equities reacted to news that the government had swapped Brady bonds for 30-year global dollar bonds with a rise in the IPC index of 21.34 to 3,208.53.

Turnover was 230.9m pesos on 107m shares traded.

The government said that the bulk of the $175bn of new bonds had gone to US institutions.

Telmex L shares, which make up one-third of the IPC index, strengthened 1.3 per cent to 12.70 pesos.

Its ADRs, however, were down 1.4 per cent at $34⅛.

SAO PAULO was up slightly at midday in quiet trading. The Bovespa index had risen 265.99 to 51,907.

BUENOS AIRES gained some encouragement from Mexico's successful global bond launch. The Merval index was up 3.48 at 569.59. Analysts said Argentine bonds were firm in the face of rising US long-term interest rates.

S Africa ahead but off highs

Johannesburg ended a quiet day firmer but off its highs, with golds up on a higher bullion price and industrials stronger on renewed buying at current lower levels.

The overall index was up 16.0 to 6,992.3, industrials gained 17.2 at 8,307.5 and golds rose 19.9 to 1,961.6.

The continuing pursuit of blue chip stocks and rand-hedge issues by predominantly local investors pushed several share prices to new highs.

Among those hitting peaks, De Beers closed R2.75 higher at R140.50.

Vaal Reefs jumped R11 to a closing high of R435.00 and Western Deep, another gold miner, climbed R3 to R220.00, just 50 cents shy of its record high.

Heavy turnover was noted in Free State Consolidated Gold Mines, which finished R1.25 better at R49.25, and in the more liquid Iscor, which picked up 4 cents to R3.99.

EUROPE

Bourses turn back on US economic statistics

The release of US GDP data scarred the Continent's markets. FRANKFURT, for instance, was steady in the Dax, which closed 2.94 down at 2,502.31, but when the US statistics became available the Ibis retreated steadily to end at 2,465.49, tracking the movement of bonds.

Bremer Vulkan was suspended after falling sharply at the opening of trade on news that a court in Bremen had started bankruptcy proceedings against the company on Wednesday. The shares opened at DM1.03, down 40 per cent from its close on Tuesday.

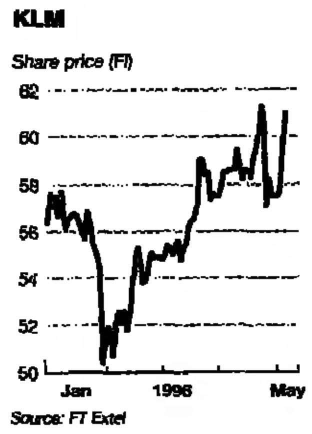
Car issues were seen declining late in the day and traders suggested that some portfolio shifting was going on, with some investors moving away from cars and chemicals, and into construction.

Daimler lost DM13.20 or 1.5 per cent at DM820.60 as BMW fell DM16.90 or 2.1 per cent to DM806.05 and Volkswagen eased DM7.50 to DM517.50.

PARIS also back-tracked, having reached a year's high in the CAC-40 index during the session of 2,164.15; it ended 9.99 down at 2,136.80. Turnover was a high FFr7.7bn.

Suez continued to *fall* after the company confirmed earlier in the week that it was selling its majority stake in Indosuez to Credit Agricole. Suez fell FFr8 to FFr206.10.

KLM



Source: FT Extel

Danone went against the trend with an advance of FFr19 to FFr800, *as the group* reported that Mr Franck Riboud would succeed his father as chairman.

AGF slipped FFr1.60 to FFr139.50 on reports that privatisation was imminent. There was speculation that the sale could raise FFr10bn for the state.

AMSTERDAM ended at an all-time high, with corporate news dominating. The AEX index made 2.56 to 558.28, but off an intra-day peak of 560.82.

KLM finished up Fl3.40 at Fl61.10 as rumours swirled around the marketplace that its strategic link with Northwest Airlines, of the US, might be about to come to an end. KLM denied the reports that were made in the local media. In a separate development British Airways later said that it would make no comment on reports that it might renew efforts to link with the Dutch carrier.

DSM closed Fl2.30 ahead at Fl174.80 in spite of revealing a 42 per cent decline in first-quarter profits, which was due to lower margins on plastics. However, there was a silver lining as the group said that the second quarter would show an improvement in business prospects.

Unilever moved up Fl2.30 to Fl234.90 on it first-quarter *figures,* which came in within expectations.

ZURICH finished lower as the higher than expected US GDP figures prompted profit-taking during the afternoon, and the SMI index was finally 15.2 weaker at 3,635.8.

Nestlé, up SFr29 at SFr1,410, bucked the trend after it reported higher than expected first-quarter volume growth figures.

BBC responded to a firmer dollar by rising SFr9 to SFr1,505, with investors also continuing to view its first-quarter results positively.

FT-SE Actuaries Share Indices

May 2 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1686.19	1686.86	1688.11	1688.23	1689.05	1688.40	1683.18	1681.27
FT-SE Eurotrack 200	1734.11	1733.46	1734.46	1734.05	1736.13	1734.84	1727.56	1725.47

	May 1	Apr 30	Apr 29	Apr 26	Apr 25
FT-SE Eurotrack 100	1679.81	1681.09	1685.55	1692.57	1684.54
FT-SE Eurotrack 200	1728.01	1728.15	1731.09	1740.67	1733.73

Base value 1000 (26/10/90). High/day: 100 - 1689.74 200 - 1736.13 Low/day: 100 - 1680.98 200 - 1724.51 † Partial.

Some second-liners outpaced the market's losses due to their overbought condition and recent exaggerated gains. Adia receded SFr7 to SFr265, Clariant declined SFr10 to SFr435 and Elektrowatt fell SFr9 to SFr478.

Pharmaceuticals were mostly weaker on widespread profit-taking and on some uncertainty over whether the EU would open a full investigation in to Ciba Sandoz.

MILAN turned back from its best levels after another active day's trade which saw some strong demand from US and Italian funds.

The Comit index was 8.26 ahead at 666.01, while the real-time Mibtel index slipped back from a high of 10,662 to finish just 13 up at 10,568.

Telecom issues continued to attract attention, with Stet up L51 at L5,324 and Telecom *Italia L59 higher* at L3,235, but Tim *eased L5 to L3,421.*

Most companies involved in the Gemina-Ferruzzi merger benefited from news that the plan would not be carried through. Ferruzzi rose L6.20 to L886.8 and *Gemina,* off its best level, was still L3.4 higher at L715.9. Montedison dropped L15.1 to L935.

Olivetti fell L37.2 to L986.8; after the market closed, its Omnitel mobile telephone unit reported a L128bn loss.

HELSINKI was lifted by overseas interest, especially in the metals and forest industry sectors.

The HEX improved on the five-month high it had set on Tuesday, climbing another 1.4 per cent to 1,971.92 in turnover of FM616m.

Overseas interest in metals helped the metal index rise almost 4 per cent to an 18-month peak of 2,636.04.

Valmet was again strong on news earlier in the week of a privatisation plan and a share buyback offer, and the stock climbed FM7 to FM74.

ISTANBUL leapt 3.5 per cent, although turnover was thin and buying selective.

Demand was given a spur by the release of first-quarter results, while sentiment was additionally encouraged by political developments following the four-day holiday.

The composite index made 2,256 to 66,978.75 in turnover of TL6.140bn.

Brokers said news that Ms Tansu Çiller, leader of the coalition partner True Path party, has said that she would vote for a parliamentary inquiry on a corruption *allegation against her,* to be debated in the parliament on May 9, has helped matters.

TEL AVIV made progress following a sharp rise in Koor Industries. The Mishtanim index advanced 1.75, or 0.9 per cent, to 205.91 in turnover of Shk83m.

Osem Investments moved forward 1.25 per cent to Shk1.951 after the food manufacturer said that it was negotiating to purchase a 51 per cent stake in Tnuva Central's ice cream division.

● Madrid was closed

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Nikkei cautious ahead of holiday as Seoul falls 2%

Tokyo

Caution over the course of currencies and interest rates prompted profit-taking ahead of the long weekend and the Nikkei average closed lower for the third consecutive day, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index lost 152.63 or 0.7 per cent at 21,662.38, after fluctuating between 21,516.78 and 21,783.36. The overnight rise on Wall Street and the rebound of the dollar against the yen failed to provide support, and position adjustment and profit-taking prevailed.

The Nikkei tumbled in the afternoon on technical activity led by heavy arbitrage unwinding and index linked selling by investment trusts. However, bargain hunting by domestic institutions remained strong and some of the losses were recouped in later trading.

Volume totalled 455m shares, against 447m. The Topix index of all first section stocks shed 11.81 to 1,695.80, and the Nikkei 300 lost 2.19 to 311.60. Declines led advances by 653 to 426, with 147 issues unchanged.

In London the ISE/Nikkei 50 index eased 3.33 to 1,455.90.

Large-capitalised blue chips encountered profit-taking by foreign brokerages. Nippon Steel dipped Y3 to Y369 and NKK softened Y2 to Y328.

Banks eased on technical selling as confidence in the sector weakened. Industrial Bank of Japan retreated Y50 to Y2,730 and Sanwa Bank declined Y30 to Y2,080.

Individuals traded speculative favourites. Janome Sewing Machine, the day's most active issue, jumped Y75 to Y518 and Gun Ei Chemical, a leading phenol resin maker, added Y39 at Y659.

Leisure related companies were also sought. Yomiuri Land, which runs a theme park on the outskirts of Tokyo, rose Y20 to Y950 and Tokyotokeiba, the horse race operator, gained Y12 at Y508.

Car makers lost ground on profit-taking. Investors were discouraged by April sales figures for new cars released on Wednesday, which fell for two consecutive months. Toyota Motor receded Y10 to Y2,370 and Honda Motor declined Y10 to Y2,340.

In Osaka, the OSE average slipped 148.95 to 23,443.45 in volume of 73m shares. Profit-taking depressed Nintendo, the video game maker, by Y130 to Y8,050.

Roundup

Profit-taking exacerbated by trade figures showing a widening deficit left SEOUL falling 2 per cent in very active trading, while Wednesday's arrest on corruption charges of the president of Korea First Bank added to the jitters.

The composite index finished 19.38 down at 961.62, representing the second largest drop this year after a 33 per cent fall on January 4.

The banking sub-index fell 12.94 or 2 per cent to 621.59, with Korea First Bank losing Won390 to Won7,850.

HONG KONG edged higher, after trading in a narrow range, awaiting the US GDP and jobs figures, and the Hang Seng index ended 22.89 ahead at 10,929.90 in turnover that dwindled to just HK$5.1bn.

The H share index of mainland China companies listed in Hong Kong relinquished 4 to 868.35, after Wednesday's 46.65 surge, indicating that the H shares had clearly overshot on initial euphoria over China's interest rate cut.

SINGAPORE continued to trade in a narrow range, with a 7.37 fall in the Straits Times Industrial index attributed to declines in just three shares.

Keppel, Cycle & Carriage and Fraser & Neave each dipped 30 cents to S$12.40, S$16.70 and S$15.30 respectively, outweighing small gains in *most other* index stocks.

KUALA LUMPUR retraced its steps from Tuesday's high for the year, with rumours of a large trade deficit in February proving a disincentive to further buying.

The composite index finished 3.41 down at 1,186.13.

Mechmar, which moved up 90 cents to M$5.60, was heavily traded on rumours that its parent company, Hicom, was selling its stake in the engineering concern.

SHANGHAI's hard currency B index finished little changed as profit-taking wiped out early gains triggered by the reduction in interest rates by the central bank. The index turned back from 52.858 to finish 0.037 firmer at 52.013.

The A index dropped 28.793 or 4.1 per cent to 679.632 after its sharp rise last Friday and Monday. SHENZHEN's A shares fell 6 per cent as the B index edged higher.

JAKARTA eased back as investors took profits. The JSX index retreated 6.61 to 622.86 in volume of 86.8m shares valued at Rp258.4bn.

Dealers suggested that many foreign investors were taking a watching brief following the death earlier this week of the *wife of President Suharto.*

On the foreign board Astra International appreciated Rp50 to Rp3,525 on 1.2m shares traded.

BANGKOK was firmer following the release of April's consumer price data which showed that inflation was on a downtrend.

The SET index moved ahead 26.62 to 1,319.23 in volume of 104.4m shares worth Bt3.2bn.

The Ministry of Commerce reported that the consumer price index had fallen to an annual rate of 6.9 per cent in April from 7.3 per cent in March.

Bank of Ayudhya was the biggest gainer, closing Bt24 ahead at Bt173 on 1.4m shares dealt.

TAIPEI noted late buying in the construction and electronics sectors, but this was not enough to avert a slide and the weighted index fell 32.43 or 0.5 per cent to 6,081.71, off a day's low of 5,996.89. Turnover came to T$60.1bn.

Paper shares fell the most, followed by chemicals, textiles, cements and financials. But electronics rose 1.6 per cent, with Compal surging by T$2.10 to T$34.90 and Acer up 50 cents to T$61.50.

SYDNEY surrendered early gains to close only modestly higher, with gold stocks outperforming. The All Ordinaries index added 9.6 at 2,323.0. Turnover was 308.9m shares valued at A$640.7m.

CRA climbed 19 cents to A$20.79 and WMC rose 9 cents to A$9.53. BHP was up 13 cents to A$19.84.

Gold shares were among the day's best performers, the sector index climbing 1.3 per cent.

Plutonic Resources firmed 32 cents to A$7.75 and Newcrest Mining rose 4 cents to A$6.20.

MANILA was in positive territory, helped by the overnight advance by PLDT's ADRs in New York. The composite index put on 18.02 at 2,936 in turnover of 5.5bn shares worth 4.26bn pesos.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY MAY 1 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 30 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	209.33	-0.3	207.37	139.09	166.90	176.42	-0.1	3.91	208.77	206.26	136.24	166.45	176.60	210.85	162.66	172.32
Austria (25)	186.21	0.0	184.47	123.73	148.46	148.35	0.0	1.89	186.21	183.97	125.30	148.46	148.35	196.28	168.11	184.34
Belgium (31)	208.11	0.0	206.16	138.28	165.92	161.76	0.0	4.08	208.14	205.64	137.32	165.95	161.76	215.81	186.06	194.13
Brazil (28)	157.44	0.0	155.97	104.61	125.53	287.54	0.0	1.39	157.42	155.53	104.24	125.51	287.54	170.25	123.97	132.97
Canada (95)	162.40	-0.1	160.88	107.90	129.48	160.20	0.0	2.35	162.55	160.60	107.63	129.60	160.25	162.75	134.14	136.50
Denmark (33)	294.97	0.6	292.22	195.99	235.18	237.14	0.5	1.90	293.34	289.82	194.24	233.88	235.89	305.17	271.61	271.61
Finland (24)	183.07	-0.1	181.36	121.64	145.96	186.66	0.0	2.66	183.30	181.10	121.38	146.15	186.66	276.11	171.73	200.64
France (97)	198.08	0.0	196.21	131.60	157.91	160.85	0.0	2.96	198.05	195.68	131.15	157.91	160.85	198.29	167.70	181.43
Germany (60)	166.62	0.0	165.06	110.71	132.84	132.84	0.0	1.87	166.62	164.62	110.33	132.84	132.84	174.38	149.48	151.94
Hong Kong (59)	428.91	-0.4	424.91	284.99	341.97	426.00	-0.4	3.32	430.54	425.37	285.09	343.27	427.58	451.18	333.87	324.70
Ireland (16)	275.85	0.5	273.27	183.28	219.93	260.29	0.4	3.32	274.52	271.22	181.78	218.87	249.22	277.20	220.31	224.43
Italy (59)	83.13	-0.1	82.35	55.24	66.28	97.22	0.0	2.19	83.20	82.20	55.09	66.34	97.22	83.87	67.22	76.47
Japan (481)	181.72	-1.3	180.21	120.77	144.93	120.77	-1.0	0.71	183.84	181.87	121.72	146.58	121.73	198.49	164.79	160.70
Malaysia (107)	565.99	0.1	570.93	368.76	466.40	561.66	0.0	1.53	564.79	577.76	367.73	450.25	551.49	588.09	429.77	474.03
Mexico (18)	1260.29	0.7	1248.52	837.39	1004.83	10203.64	0.0	1.33	1251.92	1236.89	828.98	998.16	10203.64	1313.61	791.83	1007.11
Netherland (19)	288.59	0.2	285.90	191.75	230.09	225.88	0.1	3.12	288.00	284.55	190.70	229.62	225.55	291.86	237.16	245.73
New Zealand (15)	82.51	-0.8	81.74	54.82	65.78	83.92	-0.4	4.28	83.02	82.02	54.97	66.19	84.19	89.49	76.20	83.44
Norway (33)	251.28	0.0	248.93	166.96	200.34	224.56	0.0	2.31	251.34	248.32	166.43	200.39	224.56	258.75	215.04	224.17
Singapore (44)	441.84	0.0	437.72	293.58	352.28	286.32	0.0	1.33	441.91	436.60	292.62	352.33	286.32	465.21	355.81	370.82
South Africa (45)	370.25	-0.7	365.79	246.01	295.20	350.41	0.0	2.01	370.89	366.44	245.59	295.71	350.41	437.76	338.91	351.36
Spain (37)	177.00	-0.1	175.35	117.61	141.12	170.89	0.0	3.24	177.10	174.98	117.27	141.20	170.80	179.85	139.18	139.18
Sweden (48)	338.94	-0.7	335.77	225.20	270.23	343.32	0.0	2.32	341.18	337.09	225.92	272.02	343.32	352.28	250.83	255.39
Switzerland (38)	240.49	-0.5	238.24	159.79	191.74	186.14	0.0	1.57	241.22	238.33	159.73	192.33	186.14	262.24	184.11	186.49
Thailand (46)	176.78	-0.1	175.11	117.45	140.93	173.36	0.0	1.89	175.90	174.77	117.14	141.04	173.36	193.95	145.43	145.43
United Kingdom (202)	231.37	-0.6	229.21	153.73	184.47	229.21	-0.3	4.01	232.68	229.89	154.07	185.52	229.89	237.43	208.12	210.94
USA (626)	267.30	0.1	264.80	177.61	213.12	267.30	0.1	2.19	266.97	263.77	176.78	212.86	266.97	269.11	210.24	210.24
Americas (771)	244.25	0.1	241.97	162.29	194.74	205.26	0.1	2.18	243.96	241.03	161.54	194.50	205.03	246.54	192.82	192.82
Europe (720)	208.26	-0.2	206.31	138.38	166.04	185.50	-0.1	3.00	208.77	206.26	138.24	166.45	185.46	211.35	181.77	183.90
Nordic (135)	292.41	-0.3	289.68	194.29	233.14	260.00	0.1	2.30	293.39	289.87	194.27	233.92	259.78	297.60	241.96	245.15
Pacific Basin (832)	174.62	-1.1	172.99	116.03	139.23	118.02	-0.8	1.13	176.50	174.38	116.88	140.73	119.99	177.01	148.86	167.66
Euro-Pacific (1552)	188.52	-0.7	186.76	125.26	150.31	144.17	-0.5	1.99	189.83	187.55	125.70	151.35	144.86	190.57	165.51	174.32
North America (725)	260.79	0.1	258.35	173.28	207.92	260.08	0.1	2.20	260.48	257.36	172.48	207.68	259.78	262.26	205.68	205.68
Europe Ex. UK (518)	190.48	-0.1	188.70	126.56	151.87	159.50	0.0	2.45	190.61	188.32	126.22	151.97	159.45	192.67	163.36	165.23
Pacific Ex. Japan (351)	295.48	-0.1	292.72	196.33	235.59	234.94	-0.2	2.90	295.72	292.18	195.81	235.77	236.39	295.72	237.71	238.63
World Ex. US (1742)	189.64	-0.7	187.87	126.01	151.20	148.55	-0.5	1.99	190.89	188.59	126.40	152.19	149.32	191.55	167.38	174.77
World Ex. UK (2166)	211.56	-0.3	209.58	140.57	168.67	178.06	-0.2	1.89	212.20	209.65	140.51	169.18	178.42	212.60	179.23	182.81
World Ex. Japan (1887)	242.46	0.0	240.20	161.10	193.32	230.77	0.0	2.50	242.51	239.60	160.58	193.35	230.71	242.93	200.26	200.28
The World Index (2368)	213.38	-0.3	211.39	141.78	170.13	182.75	-0.2	2.08	214.08	211.51	141.76	170.69	183.14	214.52	181.82	185.28

RECRUITMENT

JOBS: Technology is increasingly removing the need for our traditional forms of employment

Paradise lost and the Protestant work ethic

The Protestant work ethic is such an enduring and persistent ideal that it underlines virtually everything we do in our jobs. Questioning the view that hard work is the foundation of a successful life is such a heresy that I hesitate to suggest it may have almost run its course.

Richard Cumberland, an 18th-century Bishop of Peterborough, once summed up the underlying philosophy when he said: "It is better to wear out than to rust out." Society has begun to test this statement on a grand scale as many of those in work wear themselves out, working 60-hour weeks, while those without work kick their heels in frustration and despair at the first signs of rust.

Where not so long ago we might have blamed recession for job loss, technology now seems responsible for the greatest displacement of labour today. A combination of robotics and computer systems are replicating and improving upon much of that once done by the human hand and brain.

Is any job beyond the capabilities of technology? Certainly the keyboard strokes I am using to write these words seem destined to be overtaken by voice-recognition systems. It may not be too far into the future before law books are computerised and similar recognition systems are capable of digesting and assimilating the arguments in a court of law, weighing them against each other, using case history as a point of reference.

In the same way, machines will be able to diagnose ailments. Already computer-assisted animation has dispensed with the need for film extras in movies as crowd scenes are produced artificially. There are also programmes to assist executives and managers. How long will it be before they replace them entirely. It may not be too long before the biggest part of the accounting and finance function can be performed with the aid of a few simple keystrokes.

Michael Dunkerley, a aoftware specialist, explores many of these themes in a forthcoming book, *The Jobless Economy? Computer Technology in the World of Work* (Polity Press, to be published in June). He has witnessed the way that computers are replacing people in hundreds of factories and businesses, and believes the advance of technology is unstoppable.

Dunkerley worries that without people earning incomes, there can be no markets for the products factories produce. It is not a new observation. It was described by Alexander Heron in a book called *No Sale, No Job*, published during the 1950s, and it was recognised by Peter Drucker in his classic work, *The Practice of Management*.

Drucker noted that IBM, during the 1930s, had pursued new markets, partly because of its belief in maintaining work for its employees. The Rover Group had the same aim in mind when it committed itself more recently to providing long-term employment.

Dunkerley believes that technological change will make it increasingly difficult to maintain such commitments. He writes: "People are now becoming the most expensive optional component of the productive process and technology is becoming the cheapest. People are now specifically targeted for replacement just as soon as the relevant technology is developed that can replace them."

Even when displaced, people find other work, often at lower rates of pay. The exchange of well-paid manufacturing jobs for poorly paid service jobs is already a reality.

The result is that many people are no longer the consumers they used to be. The risk, says Dunkerley, is that the technological revolution will create what Keynes referred to as "demand deficit" – while people want products, they are unable to earn wages to buy them.

What makea Dunkerley's book quite different from others I have read is that he is prepared to take these developments to their ultimate conclusion. He forecasts that fully automatic production lines, aerviced robotically and independent of human input, will be with us in the next 50 years. What happens when most of the traditional work has gone, when a comparatively small proportion of the population that we may still describe as the workforce is needed to do work? If machines can produce the basics of food, power and other commodities, we may have to cope with the idea that these goods might be free in the future, says Dunkerley. "Robots don't need wages. They are just there," he says.

If people are taken out of the productive process, there is no way of valuing the product, be argues: it should be free. Anticipating bostility to this idea, he says: "If people are criticising having things for free, they have got to explain how they can make people pay a price for something when people aren't working because that is the only way most people have of getting money."

The role of money would diminish in a jobless economy, with some trade probably reverting to barter. Yet the absence of money could undermine the Protestant work ethic. Indeed, the introduction of money has often been a means of creating a work ethic. For example, when the British first colonised Kenya, they were dismayed to find that the locals were unwilling to work on their tea and coffee plantations. As a solution, the colonial government introduced a tax which forced people to seek work on the plantations to earn the money.

Dunkerley, like other recent commentators, compares the changes in working patterns today with those of 18th-century Britain, when agricultural employment collapsed and a harsh transition ensued as laboor was absorbed to service the industrial revolution. Technological change, bowever, is absorbing labour on a much smaller scale.

He believes there is a bright future if society and governments recognise that we have secured for ourselves a world of plenty. Existing attitndes, morals and economic structures, be aays, are geared to a world of shortages – hence, when confronted by surplus, the traditional reaction has been to destroy it and remove the means of production rather than give the produce nway.

"Agricultural land is removed from production even though there are hungry people. Building workers are unemployed even though there are bomeless people. There are waiting lists for hospital treatment even though there are doctors and nurses enough to deliver medical treatment," he writes.

There is always a chance that technology may come up with some labour-absorbing industry akin to that inspired by the discovery of steam power. But if that does not happen, the changes for the West, in particular, will need to be radical. Keynes-inspired government spending will probably not be enough. The Protestant work ethic might have to be dispensed with as a spent philosophy.

But without work as we know it, how will we view oor leisure? As Jerome K. Jerome once wrote: "It is impossible to enjoy idling thoroughly unless one has plenty of work to do."

Richard Donkin

IT City Appointments

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RELATIONSHIP MANAGERS

IT is not simply supporting investment banking - it is actually shaping its operations and contouring its future. We appreciate, therefore, that it is critical for the Bank's trading and IT professionals to work together to identify and capitalise on opportunities for profit. The role of the Relationship Manager (RM) is to ensure that this happens by being responsible to his/her business users for the satisfactory provision of all IT and organisational services according to their needs. We require three RMs who will report directly to our IT Director (Investment Banking) but work closely with a specific trading area. Each position requires experience of business analysis and IT project management in an appropriate investment banking environment accompanied by excellent oral and written communication skills in English (German would be an advantage).

Fixed Income

This position requires a wide-ranging knowledge of fixed income markets and products. In particular we are seeking an individual with good working exposure to internationally traded government debt as well as Eurobonds. Repo and lending experience would also be highly advantageous. An understanding of the German domestic market would be useful. Ref: BGFT17

Interest Rate Derivatives

The role requires good understanding and experience of interest rate derivatives including Swaps, Futures and Options. The Bank is active in both exchange-traded and OTC products and would therefore appreciate familiarity with both product sets. Previous experience of working in Germany is not required. Ref: BGFT18

Credit & Risk Management

This position requires a broad knowledge of securities and derivatives trading with particular emphasis on the management, principles and practices of financial control, market and credit risk. In particular, you will be dealing with users from the finance, risk control and investment banking MIS departments. A broad understanding of recent international trends in regulatory practice is expected. Ref: BGFT19

BUSINESS ANALYSTS

Securities & Derivatives Trading

To work closely with trading units (Fixed Income, Equities, Money Markets etc.) analysing and gathering new requirements for proactive, profit-oriented middle-office technologists. You will have an excellent understanding of base-level business instruments (bonds, equities, money markets etc) and be familiar with more complex instruments such as Futures, Caps, Floors, Options, Swaps in both equity and fixed income markets. You should also be conversant with recent international regulatory requirements. Ref BGFT20

Credit & Risk Management

To analyse and gather new requirements from trading divisions (fixed income, equities etc) for our profit-oriented middle-office technologists and to then interface with other business divisions to explain how a particular trading division's requirements have been implemented from a risk management perspective.

You should have a broad understanding of risk and of the products used to monitor and manage it at trading, counterparty, instrument, operational and business levels. This should include linear and non-linear risk monitoring as well as statistical and historical simulation methods underpinning risk reporting. You should also be aware of recent international regulatory requirements associated with risk. Ref: BGFT21

Mathematical

You will work closely with our trading and risk analysts and assist them in understanding the more complex mathematical activities of the Bank and take a leadership role in designing and authenticating the various calculation mechanisms used in our Middle Office. Clearly you will need an excellent background in statistical mathematics and be comfortable with standard components and approaches of investment banking (eg. bond pricing, Monte Carlo simulation and Cubic Spline regression). We are looking particularly for evidence of a practical, business-aware approach in your previous investment banking experience. Ref: BGFT22

All positions are based in Berlin and are permanent. They offer an extraordinary opportunity to shape your career and an investment bank in the earliest stages of its development. The Bank will provide German language training where appropriate. For further information about the Bank, these roles and Berlin itself, please contact our advising consultant Kevin Davey of McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Tel: +44(0)171 247 7444. Fax: +44(0)171 247 7475. email: kdavey@mcgregor-boyall.co.uk. He will also provide details of the excellent remuneration packages available and the generous assistance we will provide with relocation. You can also visit us on the World Wide Web at http://www.mcgregor-boyall.co.uk

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Applicants should be graduates, preferably in mathematics or computing, with proven project management and systems development experience gained ideally with a leading employer in the financial markets. An in-depth understanding of networks software, UNIX, client server applications development and mathematical modelling is required which should be matched by a strong programming background and an appreciation of OO techniques. Key to the success of this role are strong communication skills and the ability to lead, motivate and develop IT staff.

In the first instance please write in confidence enclosing your CV to John Maxted at Digby Morgan Consulting, London House, 53-54 Haymarket, London SW1Y 4RP. Tel 0171 321 0640. Fax 0171 930 4261. E-Mail digby.morgan@dial.pipex.com

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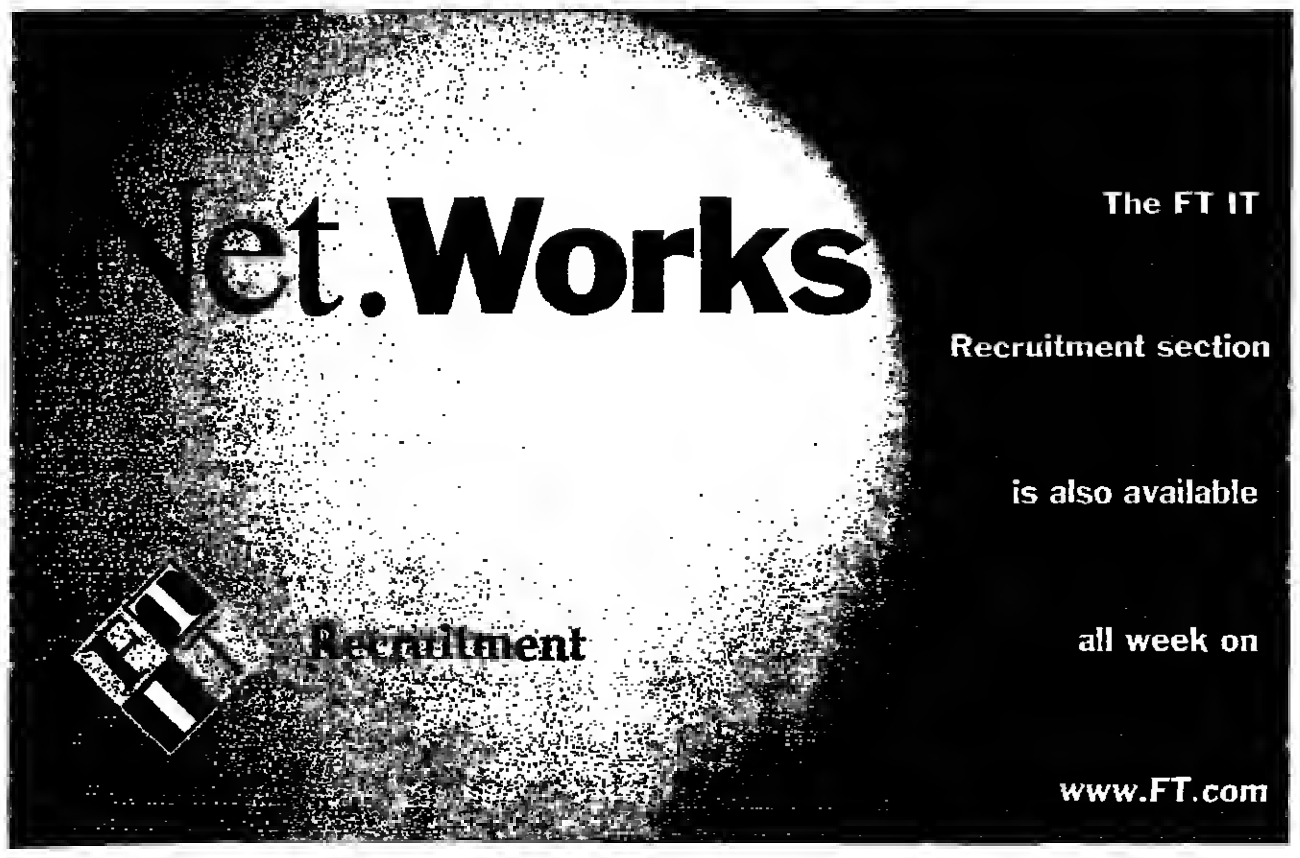

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- Highly credible at senior levels. Exceptional written and verbal communication skills. Team player. Financial services knowledge an advantage. Ref SL60404FT

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Interested candidates should forward a comprehensive CV, stating a daytime telephone number and current remuneration details, quoting reference 287957, to Hugh Everard, Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street, Loodon WC2B 5LH, or fax +44 (0) 171 404 6370.

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Group Controller

£200 Million Expanding Group

London — **£60,000 - £65,000 plus long term incentives and options**

- Professional Group Management, accomplished at acquisitions
- Full plc exposure and international dimension
- Number two to Group Finance Director
- Responsible for Group results, accounting policy, tax and balance sheet management
- Requires active commercial and professional relationship with operating companies and divisional management
- Key role in acquisitions and integration
- Graduate chartered accountant with plc head office experience, and exposure to modern manufacturing
- Productive pc user, able to specify group IT infrastructure
- Probably aged 30s, strong professional credentials and inquisitive commercial brain.

Please send full cv, quoting Ref 2710, to:
S+T+C Selection, 54 Jermyn Street,
London SW1Y 6LX.

S+T+C SELECTION

REGIONAL FINANCIAL CONTROLLERS

HIGH PROFILE, COMMERICIALLY FOCUSED ROLE

CARDIFF, WEYBRIDGE — **c. £40,000 + CAR + BONUS**

- Exciting opportunity to join market leading retailer of branded capital goods/services. Help spearhead a major change programme and contribute to business development as a key member of the regional senior management team.
- Part of a major plc with turnover in excess of £1 billion, highly regarded for its commitment to customer service and quality, and offering considerable scope for future career development.
- Highly commercial role, focused on:
  - Challenging traditional business processes;
  - Analysing customer/product profitability;
  - Reshaping the business to deliver better returns;
  - Delivering accurate business plans and forecasts;
  - Maintaining high financial cootrol standards through a Regional Finance Team.
- Candidates will be qualified accountants, with strong financial and analytical skills gained in an operational environment, and preferably within a multi-site retail/service business.
- Good intellect and rounded business awareness are essential, together with the commercial acumen to ensure the profitable delivery of outstanding customer service.
- Well developed interpersonal skills – able to persuade and influence across the business, as well as manage and motivate others. Uoquestionably customer driven and a team player who can shape as well as monitor.

Please apply in writing quoting reference 984
with full career and salary details to:
Susan Ryder
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

STANDARD PRODUCTS LIMITED

Company Financial Controller

Huntingdon — **Competitive Salary + Benefits + Relocation**

Standard Products Limited is an expanding £60m turnover company and is the UK subsidiary of a US Fortune 500 company with a worldwide billion dollar turnover. They are a market leading manufacturer of rubber sealing and decorative plastic trim for the global automotive industry and have implemented focused continuous improvement techniques throughout the four main manufacturing sites in the UK.

This is an opportunity for a commercial ACA to develop this broad role, reporting to the Finance Director, and allows the candidate to make a real contribution to the bottom line in a highly competitive environment with responsibility for a small team. 50% of the Financial Controller's role will be proactive financial control and guidance. 50% will be statutory accounts, treasury, cash management, tax, budgeting, forecasting and consolidation.

Candidates will be qualified ACA, either from a top 20 firm with at least 3 years post qualification experience and significant involvement with manufacturing clients or have at least 2 to 3 years experience in a commercial manufacturing accounting role. You will be an excellent communicator with good commercial knowledge and a continuous improvement mentality. Cost tracking experience and a working knowledge of French would be advantageous.

This is a challenging and varied role for a proactive and enthusiastic person.

Please send CV and full salary details to Chris Robinson. Closing date for applications Monday 13th May 1996.

Phoenix Search & Selection, Milton Hall, Milton, Cambridge, CB4 6AB
Tel: 01223-441661 Fax: 01223-440851

Phoenix

FINANCIAL CONTROLLER

London — **£40,000**

Our client is a major international retailing group which has undergone strategic reorganisation to maximise potential within existing and future markets.

As a result an opportunity now exists for an ambitious individual who is committed to a career in retail.

In an operational capacity you will be responsible for performing all aspects of financial control, providing management information and supporting the Financial Director. A stand alone role with decision making responsibility, it requires the following skills and experience:

- Achievement in a results orientated environment.
- Proactive, innovative approach to problem solving.
- Communication across the business.
- Line management and systems exposure.

An entrepreneurial and highly motivated self starter with strong interpersonal and technical skills, you will be a qualified accountant probably in your early 30s. Committed to developing the finance function as a resource to the business and comfortable maintaining relationships cross functionally, you will benefit from the progressive management ethos in a supporting environment.

To discuss this opportunity, please contact Deborah Shearer on 0171-405 4161. Alternatively send your CV to her quoting salary in total confidence at the address below.

FMS, 5 Bream's Buildings,
Chancery Lane, London EC4A 1DY
Tel: 0171-405 4161 Fax: 0171 430 1140
EMail: 100621.2024@compuserve.com
We have offices in London, Birmingham and Manchester

fms

INVESTOR IN PEOPLE

THE PSD GROUP

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FT
FINANCIAL TIMES

MULTI-NATIONAL - MANUFACTURING Financial Controller

North West £45,000 + Car Allowance

Our client is a substantial multi-national manufacturing business. They are highly profitable and progressive with a track record of sustained growth and significant further expansion is envisaged through a combination of acquisitions and organic growth.

The key position of Financial Controller offers a wide range of responsibilities in a demanding business environment. Reporting to the European Financial Director and managing a sizeable team, you will provide a central finance and management information service for several European subsidiaries and also be responsible for developing and enhancing the quality of analysis and reporting to the European Headquarters. In addition, you will handle all UK statutory reporting requirements.

To fulfil these wide-ranging responsibilities, you must be a qualified accountant, probably aged 35-45, possessing the skills to cope with individuals from a wide range of disciplines and cultures, coupled with the leadership ability to successfully combine responsibility for personnel management with the financial aspects of the position. This role will appeal to a good motivator with integrity, common-sense and commercial awareness. A second language would be advantageous.

The company offers excellent career prospects, a competitive salary, car allowance and other benefits commensurate with a leading multi-national company.

Please send your CV in the strictest confidence, quoting reference number FT/5389, to:

Jupiter Confidential Reply,
Jupiter Advertising Ltd,
4th Floor, Newton Silk Mill,
Holyoak Street,
Manchester M40 1HA.

JUPITER

DIRECTOR OF FINANCIAL SERVICES

LHT
LIVERPOOL HOUSING TRUST
Building Our Vision of the Future

Liverpool Housing Trust is one of the country's leading housing associations with over 8500 high quality homes across Merseyside. In the increasingly competitive housing association sector, LHT is successfully bringing commercial values and practices to the provision of affordable housing services. They have an aggressive development programme of over 300 homes per annum and reinvestment plans exceeding £20 million. Their financial performance gives them an enviable platform for the future, supported by a clear business plan and an established Trustwide commitment to TQM.

The Opportunity

You will manage a revenue budget of c£15 million and annual capital spend of c £20 million. Leading a central team of 12, you will also have responsibility for controlling decentralised financial functions throughout the Trust and, as a key member of the management team responsible to the Chief Executive, you will report to the board. As part of the continuing drive for best services at lower cost, you will lead on the planned review of financial services. Other key elements will include:

- Development of improved management information
- Budget planning and monitoring
- Long term business planning
- Treasury management and raising private finance
- Statutory and regularity reporting
- High level representation

c£50,000 (Performance Related) + Car + Benefits

The Appointee

- A qualified Accountant with strong technical grounding in finance and business, either in the public or private sector
- A team player experienced in achieving and delivering results through people
- An ability to understand and interpret complex business issues, credibly and concisely
- Proven experience in operating effectively at board level
- Ability to contribute to a results orientated participative environment
- Practical experience of developing accurate and timely management information

To apply please write including your cv and current salary details to our Recruitment Advisor, Simon B Potts, Hays Executive, 29 Stamford New Road, Altrincham, WA14 1EB. Tel: 0161 929 1689. Fax: 0161 926 8561. Closing date 16th May 1996. Interviews will be held from 3rd June 1996. Liverpool Housing Trust is an equal opportunity employer.

Hays Executive
STRATEGIC SEARCH & SELECTION